ANNEX 2

AUDIT and GOVERNANCE COMMITTEE

15 JANUARY 2014

Summary of Completed 2013/14 Audits, since last presented to Audit Committee (September 2013 meeting).

Microsoft Sharepoint Review 2013/14

Opinion: Issues	17 September 2013	
Total: 04	Priority 1 = 0	Priority 2 = 16
Current Status:		
Implemented	16	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

Microsoft SharePoint is being implemented as a corporate Electronic Records Management solution, replacing the current IBM Document Manager system. SharePoint will also be used as a collaboration tool for staff and (eventually) partners to share documents and work. Our review has identified a number of risk areas, although we acknowledge that the SharePoint implementation is at a relatively early stage and only a limited number of sites have gone live. The audit was carried out at this stage to ensure all relevant risks are addressed as part of the remaining implementation work.

The biggest and most critical application using SharePoint is HR self-service, which went live on 29th May 2013. The security controls over the application were reviewed and found to be adequate.

As with any new system, it is important that users are supported and trained through the change process. Whilst detailed plans for doing this have yet to be developed, a review of the outline Communications and Engagement Plan suggest that it will be adequately managed. However, an area of risk remains as lessons learnt exercise has not been carried out from the IBM Document Manager implementation, to ensure SharePoint is not just a technology refresh but adds value to users and helps support corporate objectives.

A number of other risks have also been identified. This includes lack of awareness and compliance with the SharePoint Policy, arrangements for managing SharePoint sites and the content held on sites, as well as governance arrangements for security administration.

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Microsoft Dynamics (Part 1) Review 2013/14

Opinion: Issues	16 September 2013	
Total: 07	Priority 1 = 0	Priority 2 = 7
Current Status:		
Implemented	7	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

The objective of the MS Dynamics CRM programme is to implement a common platform for Customer Relationship Management (CRM), case management and workflow functionality, in support of a number of current business drivers. The initial priority is to implement a Dynamics CRM solution for the Customer Service Centre (CSC) and this will be followed with solutions for on-line payments, Finance, concessionary fares and blue badges.

The Dynamics CRM programme is at an early stage and none of the projects have yet commenced, although a number are at Project Brief stage. The main focus of work has been on implementing the technical infrastructure required for the new environment.

The Dynamics CRM programme has a formal structure that includes a Board and a Programme Manager. A Programme Definition Document was approved by the CRM Programme Board in January 2013. Programme risks and issues are being logged; however, there is scope for improving the system that is currently being used. Programme costs are being recorded but are not being formally reported and monitored. We could also not find any information confirming the budget for the overall programme.

The data held within Dynamics CRM is currently limited to name, address and contact details. All data will be transferred from recognised and trusted sources, although the procedure for undertaking the transfer should be formalised and agreement reached on the frequency and method of updating data.

User access will be based on groups and roles and as Dynamics CRM allows this to be defined at a granular level, it is important that all access is formally agreed and tested to ensure it operates as expected. The configuration of the audit trail should also be included within the scope of each project.

Infrastructure requirements have been defined and approved by the ICT Technology Solutions Team. Relevant staff have also been trained on Dynamics CRM to ensure the environment and users can be effectively supported.

We have reviewed the initial plans for training users. No areas of risk have been identified, although this will be followed up at the next audit. We have also provided some guidance on the approach to testing the CRM solutions before they go live.

Governance & Financial Management 2013/14 - West Oxon Daytime Support (Witney)

Opinion: Acceptable	05 November 2013	
Total: 04	Priority 1 = 0	Priority 2 = 4
Current Status:		
Implemented	4	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

The petty cash / imprest account is administered and reconciled by the Administrator. She also undertakes all the banking, is a cheque signatory on the imprest account and is able to act as sole signatory for cheques up to a value of £250. Although the Assistant Manager oversees account documentation, there is insufficient segregation of duties in this process.

The centre does not keep an inventory listing. Although there is a list from PAT testing which details all electrical items tested each year, there are no serial numbers recorded and it is not clear how it is possible to identify items that have been disposed of written off or replaced from year to year

It was reported that in addition to the Assistant Manager, Project Leaders are able to authorise payroll claims. The Project Leaders identified were found not to be on the SCS Scheme of Financial Delegation and should therefore not be authorising payroll claims (other than employee self-service travel and expenses claims routed to them by workflow).

Although it was confirmed that driving checks have been undertaken, instances were identified where employees, including 2 who were noted as having claimed mileage as part of the sample testing undertaken during the audit, did not have insurance covering them to use their cars for business use. One instance was also noted where driving license details had not been provided. Missing information had not been followed up.

Hosted Services (Part 1) Review 13/14

Opinion: Issues	06 November 2013	
Total: 04	Priority 1 = 1	Priority 2 = 3
Current Status:		
Implemented	1	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	3	

The majority of OCC's critical computer equipment is located within the data centre at Clarendon House. The lease to Clarendon House is not being renewed when it expires in July 2014 and hence plans are being developed to re-locate the equipment. The plans involve the equipment being moved to a data centre in Birmingham that is owned and managed by a third-party, Specialist Computer Centres (SCC). The re-location needs to be completed by the end of March 2014, to allow building dilapidations to be carried out and Clarendon House vacated by July 2014.

A business case for re-locating the data centre has been documented and was presented to CCMT on 4th September 2013, along with the Project Initiation Document (PID), where it was approved. However, a review of the business case and PID has found that the corporate risks inherent with moving to an externalised data centre, and eventually to Cloud Computing, have not been specifically highlighted. It is important that CCMT are fully aware of the risks involved with the proposed changes to the delivery of computing services and the mitigations taken by ICT.

As part of this stage review, we visited the SCC data centre in Birmingham and reviewed the physical and environmental security controls in place. The data centre was found to have satisfactory levels of security and we also confirmed SCC's accreditation to ISO 27001, the standard for Information Security Management.

The Business Continuity Steering Group has been informed of the planned re-location of the data centre, but it is not clear if they fully understand the impact of this on business continuity. The corporate Information Governance Group has not been informed and therefore cannot assess the impact of the change on Data Protection and other compliance issues.

The network connection to GCSx (Government Connect Secure Extranet) will stay at OCC but will have to be re-located from Clarendon House to another site. It should be ensured that this change takes into account all relevant Code of Connection requirements.

G&FM 13/14 Abingdon Health & Wellbeing Centre

Opinion: Issues	11 November 2013	
Total: 06	Priority 1 = 0	Priority 2 = 6
Current Status:		
Implemented	5	
Due not yet actioned	1	
Partially complete	0	
Not yet Due	0	

It was identified that invoices being raised by the centre were not being raised on SAP. Testing also identified that overdue debts were not being monitored and followed up corporately as the Income Team were not aware of them, an example was noted where a debt of approximately £570 was still owing but was not being actively chased.

It was identified that AMT (attendance, meals and transport) income collection records were not being maintained in accordance with operational management instructions. An electronic spreadsheet designed to assist with income collection checking had been amended resulting in the formulas not working. Whilst there were compensating controls in place in that two people collect and count income to ensure it is totalled accurately, correct completion of the spreadsheet would automate part of this process, make it more efficient and less prone to error.

The centre is not actively maintaining an inventory list of items worth more than £1000 or items worth less than this but portable and attractive to thieves. There is therefore a risk that Council assets will be lost or stolen and additional funds will have to be spent on replacement items.

From sample testing on payroll claims, examples were identified where claims had been authorised by the Assistant Manager. This is not in accordance with the SCS Scheme of Financial Delegation as the Assistant Manager is not a named authoriser.

Fire & Rescue Stores 2013/14

Opinion: Issues	18 November 2013	
Total: 15	Priority 1 = 0	Priority 2 = 15
Current Status:		
Implemented	8	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	7	

It was identified that there was a lack of documented local procedures in relation to the Workshops store. Supplies store local procedure documentation was noted as being comprehensive, but contained omissions in some areas, for example disposals and write offs. It was also noted that there is no clear guidance for Fire Service staff in relation to the process to be followed for obtaining stock from the supplies store. One of the key areas of weakness noted was the lack of guidance in relation to the out of hours process.

From review of a sample of purchases made by the Workshop store, a high volume of retrospective purchase orders were found. Instances were also identified where items had been purchased through R3 when they should have been purchased through SRM. Corporate procurement processes are therefore not being fully complied with in relation to procurement by the Workshop.

Some non-compliance was identified in relation to authorisations for requests for stock from the Supplies store. There were also found to be control weaknesses in the out of hours process.

Stock checks are only taken once a year in the Workshop, there is also a lack of accountability in relation to who has undertaken the check and who has reviewed it. In the Supplies store, in year stock checks should take place, but it was reported that none had been undertaken at the time of the audit. It was reported in year stock checks are not currently documented and, as with the Workshop store, there is a lack of accountability in relation to who has undertaken the checks and who has reviewed them.

The Workshop did not submit their year-end stock check by the date required of 31st March, it was submitted on 10th April. Working papers provided in support of the year-end stock check did not enable independent verification of the final figures presented. It was also noted from discussions with the service, that there are no formal plans in place for how stock valuation procedures will be completed going forward without dedicated support from central finance.

Management Letter for the Proactive Review of cash handling within the Union Centre & procedures established at other centres 2013/14

Opinion: Unacceptable	22 November 2013	
Total: 04	Priority 1 = 2	Priority 2 = 2
Current Status:		
Implemented	4	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

Whilst security arrangements for physically retaining the cash have been tightened up and limit access to only those that need access to it, there is a lack of sufficient control over the process as a whole.

No evidence was found to suggest that there is any form of fraudulent activity taking place at the Union Centre, however overall the controls to deter, prevent and detect it are not sufficient. The weaknesses could easily be exploited to make financial gain.

Prior to the exit meeting taking place the management team met to discuss actions to ensure a quick resolution of the control weaknesses identified. New standard operating procedures had been drafted and the new controls discussed with staff during one to one sessions.

Management Letter for the Proactive Review of cash handling within the Gypsy & Traveller Services 2013/14

Opinion: Acceptable	26 November 2013	
Total: 01	Priority 1 = 0	Priority 2 = 1
Current Status:		
Implemented	1	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	0	

Large sums of cash pass through the Gypsy and Traveller Services office each week, as such it is essential that good financial control is exercised, to ensure the Council is protected against loss. It could be clearly demonstrated that there was a full audit trail and visibility within the system to highlight discrepancies quickly. Having traced a sample of transactions all the way through the system it was evident that all had been accounted for correctly. The controls applied to the way the money is accounted for are effective preventative and detective measures.

One area where the system may potentially be exposed to risk, is the way the money is stored in the safe. The combination hasn't changed for a while and it is also known to all staff within the service. This creates a potential risk should an ex-employee gain unauthorised access to the offices, because they'd be able to access the money in the safe. The risk is somewhat mitigated however as access would first need to be gained to the property, and they'd need to get access to the office unnoticed.

G&FM Prog Gov SCS 13/14

Opinion: Issues	09 December 2013	
Total: 04	Priority 1 = 0	Priority 2 = 4
Current Status:		
Implemented	3	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	1	

The final report for SCS Project Management was issued on 19 February 2013, with 8 agreed management actions. Only 1 of these has been implemented, which was the responsibility of SCS. The remaining 7 management actions (including priority 1 and 2 actions) were due for implementation by the 30 April 2013, with one due on 30 September 2013. All were the responsibility of the Corporate Research and Major Programmes Team. (Now within E&E) The team have acknowledged the significant delay in implementation of these actions however are now making good progress with the implementation of these actions and have a plan in place for completion which includes the sign off of the new framework / guidance by CCMT.

Follow up on the development of the introduction of the formal Corporate Programme Governance Structure has also identified that this has not been developed as first intended.

It has therefore been decided that Internal Audit would not do any detailed testing on individual projects for another 6 months to allow the full implementation of previous management actions, but to instead report on the current Programme / Project Governance arrangements in each directorate.

Within SCS, an Interim Programme Manager has recently been appointed. This has enabled review and redefinition of the major programmes currently being managed by the directorate. All project management documentation has been reviewed within the last couple of months and where gaps are identified this is being rectified. Project risk registers are also being developed, as these either were not in place or needed to be refreshed.

Each of the three major programmes within SCS and also the New ASC IT System project have dedicated Project Managers and also nominated Business Leads. A dedicated Project Manager resource has been recently allocated to map out and monitor the interfaces between different projects both within SCS and also across other directorates.

There is an ASIP Board (Adult Services Improvement Programme) which is responsible for major decisions/strategy in relation to each of the programmes and receives red and amber status reports on projects. The Board includes representation from outside the Directorate including Trading Standards, Major Programmes, it was noted that these are not always meeting monthly as planned however since the appointment of the new Interim Programme Manager John Jackson was given an informal update in early August and full Board meetings took place on 21 October and 18 November and monthly meetings are diarised going forward to June 2014. There is also an ASIP Leads meeting which meets fortnightly and reviews timeline reports for progress and highlight reports for all projects. The Interim Programme Manager also has a weekly meeting of all project managers. There is a separate Board for the Responsible Localities Project which will encompass LEAN which has now started to meet.

Corporately it has been identified that there is no overall reporting of programmes / projects at CCMT level. Project risk registers are maintained separately from main directorate risk registers and therefore there is no formal process for escalation of major programme / project delivery risk to CCMT level.

ANNEX 2

G&FM Prog Gov CEF 13/14

Opinion: Issues	09 December 2013	
Total: 04	Priority 1 = 0	Priority 2 = 4
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	4	

The final report for SCS Project Management was issued on 19 February 2013, with 8 agreed management actions. Only 1 of these has been implemented, which was the responsibility of SCS. The remaining 7 management actions (including priority 1 and 2 actions) were due for implementation by the 30 April 2013, with one due on 30 September 2013. All were the responsibility of the Corporate Research and Major Programmes Team. (Now within the E&E directorate). The team have acknowledged the significant delay in implementation of these actions however are now making good progress with the implementation of these actions and have a plan in place for completion which includes the sign off of the new framework / guidance by CCMT.

Follow up on the development of the introduction of the formal Corporate Programme Governance Structure has also identified that this has not been developed as first intended.

It has therefore been decided that Internal Audit would not do any detailed testing on individual projects for another 6 months to allow the full implementation of previous management actions, but to instead report on the current Programme / Project Governance arrangements in each directorate.

Within CEF Programme / Project Management is split between the CEF Programme Manager and also a Programme Manager from the E&E programme team. Programmes and projects have been clearly identified and a register is maintained to show which programme manager is responsible. There is one major programme recorded on the register which is not managed by either Programme Managers; the Corporate Parenting Programme.

Both Programme Managers have reported that they are reviewing all programmes and projects for which they are responsible for and ensuring where gaps are identified with the project management documentation that these are rectified. Project risk registers are being developed, where they are not in place. Highlight reports are also being developed to improve monthly reporting on all programmes and projects. These are currently at the infancy stage of development and therefore no testing has been completed to review these.

There is no separate Programme Board within CEF however both of the Programme Managers are currently working on how reporting on major programmes and projects to CEF DLT can be best co-ordinated, which will include the new highlight reports and will enable all members of CEF DLT to have visibility and the opportunity to challenge the progress of major programmes/projects.

Discussions with the Corporate Parenting Manager highlighted that there is currently no project risk registers in place for the projects within the Corporate Parenting Programme. There is six monthly reporting to Cabinet which goes through DLT, CCMT and informal cabinet first.

Corporately it has been identified that there is no overall reporting of programmes / projects at CCMT level. Project risk registers are maintained separately from main directorate risk registers and therefore there is no formal process for escalation of major programme / project delivery risk to CCMT level.

G&FM Prog Gov Corporate 13/14

Opinion: Issues	09 December 2013	
Total: 03	Priority 1 = 1	Priority 2 = 2
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	3	

The final report for SCS Project Management was issued on 19 February 2013, with 8 agreed management actions. Only 1 of these has been implemented, which was the responsibility of SCS. The remaining 7 management actions (including priority 1 and 2 actions) were due for implementation by the 30 April 2013, with one due on 30 September 2013. All were the responsibility of the Corporate Research and Major Programmes Team. (Now within E&E). The team have acknowledged the significant delay in implementation of these actions however are now making good progress with the implementation of these actions and have a plan in place for completion which includes the sign off of the new framework / guidance by CCMT.

Follow up on the development of the introduction of the formal Programme Governance Structure has also identified that this has not been developed as first intended.

It has therefore been decided that Internal Audit would not do any detailed testing on individual projects for another 6 months to allow the full implementation of previous management actions, but to instead report on the current Programme / Project Governance in each directorate.

Corporately it has been identified that there is no overall reporting of programmes / projects at CCMT level. Project risk registers are maintained separately from main directorate risk registers and therefore there is no formal process for escalation of major programme / project delivery risk to CCMT level.

A separate management letter has been issued to SCS and CEF.

Within E&E, no separate management letter has been issued and no review of current programme / project governance arrangements has been completed for 2013/14. This is because of the structural changes whereby the Service Manager Business Development & Fleet Management has recently joined E&E and jointly with Graham Shaw, Deputy Director intend to review the current programmes and projects operating across the E&E directorate, to ensure that project documentation is complete and appropriate project management methodology is applied, that monitoring and reporting of these programmes and projects is appropriate and being reviewed by Senior Management. A specific management action for E&E has been agreed in respect of recording major programmes on the main directorate risk register.

Within Fire and Rescue, no separate management letter has been issued. The Fire and Rescue Service are currently managing a number of projects including Joint Fire Control and others in relation to the Community Risk Management Plan. Project Managers have all undertaken OCC project management training and project sponsors are either Deputy Chief Fire Officer or Assistant Chief Fire Officer level. Project risk registers are maintained and included within the quarterly updates on the projects made to the Senior Leadership Team.

Programme / Project Governance arrangements were not considered within CEO or Public Health for 2013/14.

HIGHWAYS AUDIT 2013/14

Opinion: Issues	3 January 2014
Total: 0	No action plan from this report
Current Status:	
Implemented	N/A
Due not yet actioned	N/A
Partially complete	N/A
Not yet Due	N/A

The audit of Highways Contract was undertaken as part of the 2013/14 Internal Audit Plan and the fieldwork was completed during the second quarter of 2013/14.

This is a major contract for the Council, which has full engagement of Senior Management through the governance arrangements overseeing the operation of this contract, the Programme Delivery Group, and the Highways Operations Board. There has been a major change during 2013/14, in which following a due diligence review it was agreed the benefits of the contract with Atkins would be assigned to Skanska UK. Through the operational boards, areas for improvement are identified, and the change to Skanska provided an opportunity to work with them in identifying further improvements to the efficiency and effectiveness of operations. This work has been on-going and is expected to be concluded to the point of an agreed Improvement Plan in Q4 of 2013/14.

The internal audit was conducted independent from that review. The audit identified a number of findings which have been discussed at length with Senior Managers. The key findings of the audit and the management response are summarised below. The management responses have been agreed by Internal Audit, and the report represents an agreed opinion that through the additional assurance provided in the management response, the issues highlighted by the audit do not represent major risk exposure, but are operational matters where some improvements are required.

There is no action plan from the audit report, as it has been agreed between the Deputy Director and the Chief Internal Auditor that these issues be picked up as part of the overall improvement plan management are currently developing across the contract. The Deputy Director has requested, and the Chief Internal Auditor agreed, that Internal Audit are involved in the preparation of the improvement plan, and work in conjunction with the E&E team during 2014/15 in providing assurance to the Deputy Director that actions are implemented, and working effectively.

The scope of the audit was to review:

- Progress in Implementing Agreed Audit Report Actions.
- Risk and Performance Management Arrangements.
- Governance Arrangements and Roles and Responsibilities.
- Task Order Process.
- Certificate Authorisation and Payment Mechanism.
- Budgetary Control.

The overall conclusion is ISSUES. There is generally a sound system of internal control, however some significant risks have been noted and there is therefore the possibility that some objectives will not be achieved. This management letter reports on the key issues identified as part of a high level review of the contract.

The main issue highlighted as part of the audit are:

- Issues were found within the contract risk management process. Management have stated that risks are escalated to the relevant groups and that work is on-going within E&E to improve overall risk management arrangements;
- The gateway review process has not always been followed or monitored at stages in the project management process. Management have stated that major work has been completed on the gateway review process and this will be implementation will be included as part of the overall improvement plan;
- Benchmarking the contract to ensure that value for money is achieved needs to be more clearly developed. Management have stated that obtaining benchmarking data is not always straight forward or meaningful due to the commercial nature of the information and the varying ways that other authorities have set up delivery arrangements;
- A number of processes have been identified as requiring substantial updating or to be completely re-written due to corrective findings during earlier reviews. According to the ISO reviewer many of them had no further action since the date of being identified and were not considered priority by the local or senior owner. Management have stated that process changes will be built into the Improvement Plan and that operational decisions on process revisions are made based on the resources available;

- Atkins have provided some ICT functionality, but not all ICT proposals put forward at submission have entirely been successful or delivered as per specification. Management have stated that significant work has been undertaken within INFORM and EXOR, and that further developments will be included within the Improvement Plan;
- In reviewing task order values against SAP payments, testing found schemes where payments exceeded the task order values. Task orders are monitored by the Contract Management Team, who monitors the cost against the task order, but the visibility of cost apportionment in terms of commitment, committed and uncommitted expenditure along with a calculation is unclear. Management have stated that there is work to do in ensuring staff follow the correct financial approval process, but the Programme Delivery Group review both capital and revenue spend on a monthly basis; and
- The Contract Management Team highlighted that there are a number of items, including disallowed costs, that impact on the end of year position. £2 million of accrued sub-contractor fees that Atkins has accounted for but had not paid to the sub-contractor as yet and therefore cannot bill OCC were viewed as items that could become year end accruals. At the time of the review we were informed that as of the 13 August 2013, the accruals for the Highways contract had yet to be fully confirmed after closedown. Management have stated that payments are only processed once the necessary evidence has been obtained and that the team are working with Skanska UK to ensure closedown can be achieved more promptly.