

AUDIT and GOVERNANCE COMMITTEE – 14 September 2016

INTERNAL AUDIT 2016/17 PROGRESS REPORT

Report by the Chief Financial Officer

Introduction

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

Resources

2. A full update on resources was made to the Audit and Governance Committee on 13 July 2016 as part of the Internal Audit Strategy and Plan for 2016/17. There have been no changes to resources since that update. The two new trainee Auditors are about to commence professional study, both are undertaking the IIA's Certified Internal Auditor Qualification.

2016/17 Internal Audit Plan - Progress Report

3. The 2016/17 Internal Audit Plan, which was agreed at the 13 July Audit & Governance Committee, is attached as Appendix 1 to this report. This shows current progress with each audit.
4. There has been one amendment to the plan. The audit of E&E ICT Management and Operations was removed at scoping stage due to a recent organisational decision to move the management and governance of E&E ICT systems into ICT, to align with the processes for the management of systems across the rest of the organisation. The audit has been replaced with an audit of Website Management & Security which is now at draft report stage.
5. There have been 4 audits concluded since the last update (provided to the July meeting of the Audit and Governance Committee); summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

Directorate	2016/17 Audits	Opinion
ICT	Phase 1 - Office 365 Cloud Computing	Amber
CEF	Children's Direct Payments	Green
CEF	Early Years Payments	Amber
Corporate Services	BDU Uploads	Amber

Performance

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

Performance Measure	Target	% Performance Achieved for 16/17 audits (as at 22/8/16)	Comments
Elapsed time between start of the audit (opening meeting) and Exit Meeting.	Target date agreed for each assignment by the Audit manager, stated on Terms of Reference, but should be no more than 3 X the total audit assignment days (excepting annual leave etc)	80%	
Elapsed Time for completion of audit work (exit meeting) to issue of draft report.	15 days	100%	
Elapsed Time between issue of Draft report and issue of Final Report.	15 days	75%	This has increased since last reported, for 15/16 when 48% was achieved.

The other performance indicators are:

- % of 2016/17 planned audit activity completed by 30 April 2017 - reported at year end.
- % of management actions implemented - 62%. Of the remaining there are 15% of actions that are overdue and 23% of actions not yet due.
- Extended Management Team satisfaction with internal audit work - reported at year end.

Counter-fraud update

7. The 2016/17 Counter-Fraud Plan, which was agreed at the 13 July Audit & Governance Committee, is attached as Appendix 3 to this report. This shows current progress.
8. Internal Audit are continuing to work with Adult Social Care to provide Fraud Awareness Training as part of the directorate's direct payment training. Adult Social Care has determined this to be mandatory training for all staff involved in direct payments.
9. During quarter 1 and early quarter 2 we have reviewed and updated the OCC fraud internet and intranet pages, which has also included review and update of the Anti-Fraud and Corruption Strategy and the Internal Audit and Fraud sections of financial regulations. Work is ongoing to review and update the fraud risk register including identification of new fraud risk areas.
10. Development of arrangements for working with the City Council, for Counter-Fraud continues. The arrangement is working well and they have provided excellent support to our team by undertaking several reactive fraud investigations on our behalf. This has demonstrated clear benefits of having properly trained and skilled fraud investigators and has had very successful results.
11. One of the investigations that they have undertaken on our behalf is of a school. Following receipt of a whistleblowing allegation an audit was undertaken. This identified a number of concerns which required formal investigation. The investigation is now complete and disciplinary processes completed. A management investigation is ongoing. CEF directorate continues to support the school and Governing Body throughout this process.
12. During 16/17, so far, we have had two reports from schools of theft of cash, one less than £100 and the other just over £1000. During 15/16 there were three reports and during 14/15 there were two. The individual schools have reported these to the police. When each of

these cases has been discussed further with the schools, weaknesses have been identified in their cash handling and security controls. Therefore Internal Audit in conjunction with the CEF Finance Business will produce a one page brief for the schools newsletter to be issued during the autumn reminding schools around the importance of cash security, income reconciliation, etc.

13. A school has reported potential misuse of a procurement card, of two transactions, totalling just under £1000. The card has been cancelled and this is being investigated further with the school.
14. The joint investigation between Buckinghamshire County Council and Oxfordshire County Council, where potential duplicate claims have been made by sessional workers contracted by both authorities has now closed. The matter was reported to the police however there was insufficient evidence to pursue a criminal case.
15. Following the Blue Badge pro-active pilot exercise where 10 blue badges were seized, all individuals have now been formally interviewed by Oxford City Investigation Team. We have received their summary findings and the Service is now considering the best course of action on a case by case basis. Further work is being undertaken by the Service to develop processes for dealing with reports of potential misuse going forward.
16. The results from the Court Hearing in respect of County Print Finishers Unit investigation are currently with Legal with further recovery options being considered.

National Fraud Initiative (NFI)

17. The matches from the NFI 2014/15 exercise have now been completed and closed down. Preparation for the data collection exercise this year is now underway. Matches for the 2016/17 exercise will be received during quarter 4 of 16/17.
18. Four potential matches from 14/15 were identified for pension payments made to deceased persons. Two of these have been investigated for us by the Oxford City Team. The first was in relation to a person who went missing, this person was located by the Police and City Team as part of a joint investigation in which Adult Social Care were also involved. It has resulted in the successful recovery of over £35k of over-payments plus legal costs. The second is now in the process of recovery via legal proceedings and has been notified to the Police. The other two potential overpayments have had invoices raised and these are being investigated and discussed further with the families involved. Further work is currently being undertaken by the Pensions Administration Team to look at ways of matching data on a more regular basis, to pick up cases where they are not notified of deceased pensioners.

19. Three residential providers were identified from 14/15 with matches. A total of approx. £120k has been recovered from all three providers. Work is ongoing with those providers, to review how this has happened and to establish robust systems to ensure they notify the relevant officers and do not receive overpayments in the future.

RECOMMENDATION

20. The committee is RECOMMENDED to note the progress with the 16/17 Internal Audit Plan and 16/17 Counter Fraud Plan and the outcome of the completed audits.

Sarah Cox
Interim Chief Internal Auditor

Background papers: None.
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APPENDIX 1 - 2016/17 INTERNAL AUDIT PLAN - PROGRESS REPORT

Directorate	Audit	Planned start	Status	Conclusion
SCS	Mental Health	Q1	Draft Report	Red
SCS	Money Management	Q2/3	Scoping	
SCS	Pooled Budgets - Contract Management	Q2/3	Scoping	
SCS	Adults Safeguarding	Q3	Not started	
SCS	Personal Budgets inc Direct Payments	Q3	Not started	
SCS	Client Charging (including ASC debt)	Q4	Not started	
SCS	Residential & Home Support Payments	Q4	Not started	
CEF	Unaccompanied Asylum Seeking Children	Q2	Scoping	
CEF	Thriving Families - Summer and Winter Grant Claims	Q2 & Q4	Summer Claim - Fieldwork Winter Claim - Not started	
CEF	Children's Direct Payments	Q1	Complete - Final Report	Green
CEF	Early Years Payments - Follow up	Q2	Complete - Final Report	Amber
CEF	Children's Safeguarding	Q3	Not started	
Schools	Mapping of S151 assurance	Q2	Not started	
Schools	Thematic Reviews (Compliance)	Q3 & Q4	Not started	
Corp / EE	Capital Programme	Q1	Fieldwork	
Corp / EE	LEP	Q3	Not started	
EE	Highways Follow up	Q3	Not started	
EE	Property	Q4	Not started	
EE	S106 agreements	Q3	Not started	
ICT	Cloud Computing - Office 365 - part 1	Q1	Complete - Final Report	Amber

ICT	Cloud Computing - Office 365 - part 2	Q3	Not started	
ICT	Cloud Computing - Backup as a service	Q3	Not started	
ICT	Website Management & Security *	Q1	Draft Report	Amber
ICT	Mobile Computing	Q2	Not started	
ICT	PCI DSS Compliance	Q4	Not started	
ICT	SAP System	Q3	Not started	
ICT	ICT application audit - Altair (Pensions Admin System)	Q2	Scoping	
Corp	Budget Setting / Delivery of Savings	Q2	Fieldwork	
Corp	Accounts Payable	Q4	Not started	
Corp	Accounts Receivable	Q4	Not started	
Corp	Treasury Management	Q1	Fieldwork	
Corp	Payroll	Q4	Not started	
Corp	Main Accounting	Q3	Not started	
Corp	Pensions Fund	Q3	Not started	
Corp	Pensions Admin	Q4	Not started	
Corp	Scheme of Delegation Application	Q2	Scoping	
Corp	BDU - monthly compliance checks on files uploaded to BDU	Ongoing	Ongoing	
Corp	BDU - compliance review, visiting officers and testing upload processes	Q1	Complete - Final Report	Amber
Corp	Governance area - compliance review (area to be confirmed)	Q3	Not started	
Corp	Governance area - compliance review (area to be confirmed)	Q3	Not started	
Corp	Grant Certification (requests throughout year for CIA sign off)	Ongoing	Ongoing 3 completed to date.	n/a

***Since the last update to the July 2016 meeting the following amendments have been made to the 2016/17 Internal Audit Plan:**

E&E / ICT	Removed from plan: E&E ICT Management and Operations	This audit was removed at scoping stage due to a recent organisational decision to move the management and governance of E&E ICT systems into ICT, to align with the processes for the management of systems across the rest of the organisation.
ICT	Addition to Plan: Website Management & Security	The audit has been added to the plan and has replaced the audit of E&E ICT Management and Operations.

APPENDIX 2 - EXECUTIVE SUMMARIES OF COMPLETED AUDITS

Phase 1 - Office 365 Cloud Computing

Opinion: Amber	1 August 2016	
Total: 07	Priority 1 = 02	Priority 2 = 05
Current Status:		
Implemented		
Due not yet actioned		
Partially complete		
Not yet Due	07	

Overall Conclusion is Amber

Our overall conclusion for this phase of the audit is AMBER. Internal Audit identified that 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.

Office 365 is OCC's first corporate level transition into cloud based services. There are 15 projects within the Office 365 programme which will deliver 12 Microsoft products, the most advanced of which is Exchange Online.

A business case for moving to Microsoft Enterprise Cloud Suite (ECS), which incorporates Office 365 and Exchange Online, has been documented and approved. The strategic case includes how ECS supports wider corporate aims and objectives e.g. agile and flexible working, and the financial case is based on how the cost of renewing the Microsoft Enterprise Agreement can be mitigated through the adoption of ECS through future cost avoidance.

The acceleration to cloud based services follows the two serious data centre failures that have occurred in the past 9 months. Cabinet, Informal Cabinet and CCMT have been made aware of the move to cloud services, however, further work is required to ensure that they fully understand and accept the risks involved. Information Management Risk Assessments (IMRA's) are being undertaken as part of the Office 365 programme and the results of these, as a minimum, should be presented to the corporate Information Governance Group for sign-off. The IMRA's are at a relatively early stage and we have identified some key areas of data security and protection which should be assessed before any live data is moved into the cloud. A Privacy Impact Assessment should also be undertaken to ensure all privacy risks are identified and addressed for continued compliance with the Data Protection Act 1998.

Office 365 services are covered by the Microsoft Enterprise Agreement which was signed in February 2016 and became effective on 1 March 2016. The MEA comprises of a number of documents, some of which are only available on the Microsoft website e.g. service level agreement, Online Services Terms – which includes privacy and security terms.

A programme structure has been established and roles and responsibilities have been documented and agreed. We have highlighted that developing a

Programme Initiation Document would be useful to encapsulate all the projects within the programme and the order of implementation, and further highlighted areas for improvement in regard to the risk and issues logs.

CEF Direct Payments 2016/17

Opinion: Green	10 August 2016	
Total: 03	Priority 1 = 02	Priority 2 = 00
Current Status:		
Implemented	0	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	03	

Overall Conclusion is Amber

OCC spent £723k on Children's Direct Payments in 2015/16 (excluding CHC which is recharged to Oxford Health), paying for a variety of care and support services for approximately 200 children / young people, in line with their assessed needs.

The purpose of DPs is to allow families of children and young people more choice and flexibility in how they manage their care to meet their assessed needs. They can present a risk of fraud or error due to the high value of some of the DP packages and the potential opportunity for recipients to misuse them. There are also potential safeguarding risks where a child's assessed eligible care needs are not met due to misuse of a DP, or where carers are hired without a DBS check.

The audit found robust processes in place to mitigate these risks, and did not find any significant areas of weakness.

A: Policies and Procedures: Guidance available to staff in the Disabled Children's team clearly covers each stage of setting up and reviewing a DP; guidance available to parents is also clear and informative. Both were updated in June 2016.

There is currently no guidance available for SEN Officers, however there is the intention to write this within the next few months.

B: Direct Payment Process: There is a strong system in place for agreeing and monitoring Direct Payments within CEF. All Disabled Children's Payments (including reassessments) are agreed at Priority Panel. The Disabled Children's Manager therefore has good oversight of all DPs within CSC. Similarly, all SEN DPs are agreed at Complex Case Forum.

There is clear evidence on Frameworks of Social Care Child in Need Reviews taking place, where the DP is discussed with the parent / carer. For SEN DPs, a child's Statements of SEN is reviewed annually, which includes reviewing the DP. Funding agreements and contracts saved to Frameworks

were not always final authorised versions, however copies of these were held by the Payments Team.

C: Direct Payments Usage: Six monthly financial reviews are completed by the Payments Team for self-managed accounts, requesting copies of bank statements from parents / representatives. Issues found during these had been escalated and resolved appropriately, evidencing good communication between Social Care Teams and the Payments Team.

The financial reviews check that payments made are in line with the care plan, however cheque payments are not queried to identify the payee, meaning payments could be to anybody for anything. This was recently identified during the Adults DP audit with an action agreed for the Payments Team to require information on cheque payments when financial returns are made. This action is in the process of being implemented and will also apply to children's DPs.

For managed accounts, the key control is not the financial reviews, but the submission of full supporting documentation including timesheets, invoices and receipts to ecdp before they make payments. The 3 ecdp accounts reviewed were acceptable however there is no process in place for checking surpluses on accounts, which is OCC's responsibility - in one case in the sample there was a surplus in the account which had not been re-claimed (approximately £3k). Whilst ecdp is OCC's supplier of managed accounts services, in two of the sample reviewed, an alternative provider had been used for joint OCC-CHC packages, which were significantly more costly than ecdp, however the cost of this is reportedly borne in full by CHC.

D: Direct Payments Accuracy: Accurate records are held by the Payments Team, detailing amounts and frequency for each DP, and paperwork reviewed showed the team do not make payments before receiving all necessary authorised forms. Payments are made promptly and approved by the Team Manager before upload.

E: Management Information: The Disabled Children's Manager has good oversight of all CSC Direct Payments, as all new or reassessed DPs are authorised at Priority Panel. The same applies for SEN DPs, where authorisation is made at the Complex Case Forum. Monthly recharges to ecdp for managed accounts are reviewed by the Disabled Children's Manager, however there is no management information from the Payments Team relating to the number of financial reviews and whether these reviews are effective. No evidence was found to indicate this may be necessary though; emails from the Payments Team were answered by Social Care teams, and no inappropriate spend was identified during reviews in the cases sampled.

Early Years Payments 2016/17

Opinion: Amber	12 August 2016	
Total: 06	Priority 1 = 00	Priority 2 = 06
Current Status:		
Implemented	01	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	05	

Overall Conclusion is Amber

OCC spent £27.8m on Early Years Funding in 2015/16, providing access for disadvantaged 2 year olds and all 3 and 4 year olds to foundation stage education. The settings receiving funding are split into two categories: maintained schools and Private, Independent, Voluntary (PVI) settings (including academies). These are managed by two different teams and follow different processes.

A: Payments to Maintained Schools: The pupil count data cleansing process is managed by the Performance & Information Team in S&CS. Maintained schools complete their census data and adequate processes are in place for identifying and challenging duplicate or inaccurate claims from schools.

The previous year's data is used to calculate indicative budgets to schools, paid at the beginning of the financial year, and the termly cleansed data from the P&I team is used to calculate adjustments. These had been calculated and administered correctly in all payments sample checked, however there is no authorisation from senior management ahead of recharges (in line with all school recharges).

B: Payments to PVIs and Academies: Following a restructure in 2015, the Early Years Sufficiency & Access (EYS&A) Team in CEF now manage 2 year old funding to all settings as well as 3 & 4 year old funding to PVIs.

The balancing payments are more complex than maintained schools, based on claims made by providers, and although the process for calculating these is generally robust, one administrative error was identified during testing, where a child's end date was recorded incorrectly on ONE meaning the provider was overpaid for one term, which the team will now recover.

Excel spread sheets and ONE are used throughout the year to identify duplicates within PVI settings, however there is no process in place to identify duplicates between maintained schools and PVI settings. A report run for the Spring Term identified 7 possible duplicates, which the team are going to investigate.

Strong systems identified during the audit include reconciling between SAP and ONE after payment to identify any discrepancies, as well as working with the Foundation Years Teams to ensure settings are still eligible for funding following new Ofsted ratings.

C: Disadvantaged 2 year olds and deprivation payments: Robust processes are in place for administering 2 year old funding; all new children have their eligibility checked by the EYS&A Team before funding is provided, and the same controls as PVI payments are in place for calculating initial and balancing payments, identifying duplicates and issues, and producing claim sheets and statements for each provider.

Deprivation payments, Early Years Pupil Premium, and vulnerability payments were also found to be accurately calculated and paid for the sample reviewed.

D: Follow Up: The previous audit in 2014/15 was rated Amber, with issues surrounding spot checks of providers, authorisation of payments, and version control of data sent to Schools Finance used to calculate payments.

All of the four agreed management actions have been reported as implemented by management and this audit has confirmed the same, except number 4 which was not followed through to completion:

Action 4 from previous audit) The Performance & Information Team carried out a reconciliation between data submitted by academies for the school census and Early Years records in ONE in April 2015, identifying several schools where figures for the two data sets differed. The reconciliation has not been undertaken since and it is not clear whether the discrepancies were investigated and addressed.

The risk that academies data in the two data sets differs, which may affect funding, therefore remains. The finding and action have been re-stated in this report.

BDU Uploads 2016/17

Opinion: Amber	15 August 2016	
Total: 07	Priority 1 = 00	Priority 2 = 07
Current Status:		
Implemented	01	
Due not yet actioned	0	
Partially complete	0	
Not yet Due	06	

Overall Conclusion is Amber

Our overall conclusion, based on our RAG grading is Amber. The BDU process is inherently weak as it involves financial transactions being generated via a spreadsheet upload which means that the data within the spreadsheet could be input incorrectly or changed accidentally or deliberately. Senior Management are fully aware of the issues and potential risks of using this system. It was originally implemented as a temporary solution pending direct interfaces between local systems and SAP; however the process of interface building has not delivered fully automated solutions. The longer term decommissioning of the BDU, with better solutions in place is a key action of the Financial Control Improvement Plan. In the interim this review has

identified areas of weakness, particularly around the post upload checks and validations where further improvements are required.

The main findings from the review are:

- There is evidence of segregation of duties between the Data Steward and the Business Owner for the BDU Uploads. The data is collated and the BDU spreadsheet is completed by the Data Steward, before being sent to the Business Owner who again checks all information is correct before any uploading of files is carried out.
- Business Owners are not always aware that their files have failed as they do not always check the BDU to ensure they have processed successfully.
- Testing identified that 8/19 Data Stewards do not perform local checks using the SAP Portal reports after uploads have been processed to ensure the upload file has not been altered in any way and has been processed accurately.
- At the time of the review most people said they were unaware of any Intranet guidance. A couple of the teams tested have now written their own guidance notes.
- Although generally Data Stewards copied Audit Bulk Upload in each time they send an upload file to their Business Owner to process, two Data Stewards admitted that they had not been aware of this, but had recently been advised of this process and are now copying in Audit on future uploads.
- Data Stewards, however, did not always copy in Audit if the file had failed or partly processed and amendments had had to be made to the original file upload and a v2 or v3 needed to be resubmitted.
- Since IBC went live there have been a number of duplicate payments made and there continues to be ongoing application errors in uploads submitted.

APPENDIX 3 - 2016/17 COUNTER FRAUD PLAN - PROGRESS REPORT

Activity	Status
Review of CIPFA Local Government Counter Fraud and Corruption Strategy 2016-19, identifying any gaps and required action for implementation.	Ongoing
Review and update of OCC fraud internet and intranet pages and procedures.	Complete
Review and update of fraud risk register. Identification of new fraud risk areas.	Ongoing
NFI 2015/16 work - completion of review of data matches	Complete
NFI 2016/17 - preparation for 2016 data collection including review of fair processing notices.	Ongoing
Reactive investigations - continued from 2015/16 plus new referrals.	Ongoing
Fraud awareness sessions.	Ongoing DP sessions are being provided with SCS
Development of arrangements with the City Council, for Counter-Fraud (to include Single Person Discount work) and also support with reactive investigations.	Ongoing
Proactive Fraud review - travel and expenses.	Fieldwork
Proactive Fraud review	Not started
Proactive Fraud review	Not started
Proactive Fraud review	Not started
Proactive Fraud review	Not started
Proactive Fraud review	Not started