

## **AUDIT COMMITTEE – 7 JULY 2011**

### **INTERNAL AUDIT PLAN – QUARTER 2 2011/12**

**Report by the Assistant Chief Executive & Chief Finance Officer**

#### **INTRODUCTION**

1. The detailed quarter 2 plan for Internal Audit is attached as Annex 1 to this report.
2. The plan has been compiled after consultation with the Directors and the Performance and Review Team.
3. The contract audit needs assessment has been produced but the timings of the audits has not yet been agreed. Some activity will be undertaken in Q2, but for the purposes of this report, it is recorded only as contract audit.
4. Attached as Annex 2 to this report is the revised Counter-Fraud Plan for 2011/12. The report details the activity to be undertaken and the timetable. A fraud risk assessment is currently being completed that will inform the program of pro-active fraud testing that will be completed each quarter.
5. Attached as Annex 3 is the status of audits planned in Q1. By the nature of audit activity it will always be the case that the activity crosses over quarters.
6. The Internal Audit Strategy approved by the Committee is March 2011 includes the further collaboration with Buckinghamshire County Council and the implementation of audit project management software, and action tracking software. The wider collaboration will become effective in July 2011, but there is currently an issue preventing progress with the implementation of the audit project management software. The application is not fully compliant with Windows 7, which is the new operating system being rolled out across the County. It is hoped this will be resolved by the end of August; the business case will then be resubmitted to the IT Development Board for approval. At this stage there is no certainty over the implementation date. The IT Development Board has approved the procurement of the action tracking system, and a project will be established during Q2 for implementation. The plan is to have the software operational for the beginning of Q3, with the first report generated for the AWG at their January meeting.

#### **RECOMMENDATION**

7. **The Committee is RECOMMENDED to:**
  - (a) **approve the Quarter 2 Internal Audit Plan; and**

**(b) approve the Counter-Fraud Plan**

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Assistant Chief Executive & Chief Finance Officer

Background papers:           None.

Contact Officer:               Ilan Dyson Assistant Head of Finance (Audit)  
Tel: 01865 323875

July 2011

## 2011/12 Quarter 2 Internal Audit Plan

Directorate	Qtr	Audit	Status
CEF	2	<p><b>CEF Governance and Financial Management</b></p> <p>(Following on from quarter 1 – see entry in plan)</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p> <p>During quarter 2 Internal Audit will review the area of project management in CEF, as this was not tested for this directorate as part of the 2010/11 audit. The audit will provide assurance that the directorate ensures that all projects are appropriately authorised and effectively managed to ensure that objectives are achieved and that projects are completed within the required timescales and budget.</p>	To start qtr 2
CEF	2	<p><b>Payments to Foster Carers – Trojan System</b></p> <p>From 2011/12 payments to Foster Carers are being processed via the Trojan system. These were previously administered via spreadsheets. Internal Audit will test the key controls to provide assurance on the accuracy, integrity and reliability of payments made.</p>	To start qtr 2
CEF	2	<p><b>Review of CEF Management Information Systems</b></p> <p><i>Original audit plan entry:</i></p> <p>The audit will review the current management information systems in operation, providing an overview of the system objectives; identify users of the systems, the key processes in operation and what data quality/assurance mechanisms are in place. The findings will be reported to the Director and used by Internal Audit and CEF to establish whether there are any gaps/weaknesses which will require more detailed review. A separate audit of the One System (EMS) will also be undertaken in quarter 1 and will feed into this review.</p> <p><i>Revised audit plan entry:</i></p>	This audit was originally planned for qtr 1, however scope of audit amended and therefore timing changed.

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Directorate	Qtr	Audit	Status
		<p>In preparation for the introduction of the Early Intervention Hubs, governance arrangements have been established to oversee developments, including Task and Finish group for ICT/Buildings and Data, Information Sharing and Processes. As a consequence and as part of these governance arrangements, representatives from Information Management and Business Support Team within CEF, are reviewing all directorate management information systems to identify how the requirements of the Early Intervention hubs and re-designed directorate will be supported in the future and whether the existing systems will still be required in the longer term.</p> <p>A project will be set up to deliver this review of systems and the planned changes needed to ensure that CEF systems will support the new process required when operating the Early Intervention Hubs.</p> <p>Internal Audit will review the project management arrangements, and at key stages provide advice / assurance over the key processes planned, to include review of what data quality / assurance mechanisms will be in place for the recording and reporting of key data. A separate audit of the One System (EMS) was undertaken in quarter 1</p>	
CEF	2 & 3	<p><b>Children's Centres</b></p> <p>The audit will provide assurance on the project within CEF to re-commission 44 Children's Centres across the county.</p> <p>The review will focus on the project management arrangements, and at key stages provide advice / assurance over the key processes planned and the overall implications on delivery of the directorate's Business Strategy.</p>	To start qtr 2
CEF	2	<p><b>Schools Assurance – Use of SAP for budgetary control.</b></p> <p>In addition to the schools programme of individual assurance visits, throughout 2011/12 Internal Audit will look to undertake thematic reviews of key risk areas to provide the S151 officer with assurance on the financial control environment.</p> <p>The area of budgetary control and the use of SAP will be reviewed in quarter 2, using a sample of schools, to provide assurance that SAP is being used effectively to enable expenditure to be properly controlled and accounted for.</p>	To start qtr 2.

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Directorate	Qtr	Audit	Status
EE	2	<p><b>E&amp;E Governance and Financial Management (including Customer Services)</b></p> <p>(Following on from quarter 1 – see entry in plan)</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p>	n/a
EE (Customer Services)	2	<p><b>Property and Facilities Procurement</b></p> <p>The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the second phase review, completed in June 2011, looking at the contract specification, any related tender documents and the schedule for the ISDS phase.</p> <p>Further work on the mobilisation phase will be completed in quarters 3 and 4.</p>	To start qtr 2
EE (Customer Services)	2	<p><b>Highways and Transport Contract</b></p> <p>Operational from the 1<sup>st</sup> April 2010, this audit will determine progress against the audit action plan and the follow up audit completed in quarter 2.</p> <p>The review will also assess progress in implementing the service Improvement Plan, as well as the effectiveness of the governance, performance and risk management arrangements.</p> <p>As operational information becomes available, the review will focus on more detailed sampling to ensure service objectives are being delivered.</p>	To start qtr 2.
EE (Customer Services)	2	<p><b>Energy Strategy</b></p> <p>A new Energy Strategy is currently being developed within E&amp;E and is due to be adopted during the summer.</p> <p>The audit will focus on the governance arrangements in place to monitor and deliver the requirements of the Energy Strategy, including data quality arrangements.</p>	To start qtr 2

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Directorate	Qtr	Audit	Status
EE (Customer Services)	2	<p><b>ESS / MSS Programme</b></p> <p>The audit will review the governance arrangements and controls in place when implementing Employee Self Service and Manager Self Service applications within SAP.</p>	To start qtr 2
EE (Customer Services)	2	<p><b>SAP Collaboration Review</b></p> <p>The audit will review the management and governance controls over the proposed partnership with Hampshire on the SAP collaboration.</p>	Testing
EE (Customer Services)	2	<p><b>Data Centre Security</b></p> <p><u>The audit will review the physical and environmental security controls over the Clarendon data centre. In addition to the above, we will also review the security over the communications room at County Hall and Unipart House.</u></p>	Testing
EE (Customer Services)	2	<p><b>MS Enterprise Programme</b></p> <p>The Microsoft Enterprise Services Programme will address the work to upgrade desktops and laptops to a base level of Windows 7 and Office 2010. The audit will provide assurance management and governance arrangements in delivering MS Enterprise programme and operational and systems controls in place.</p>	Draft ToR
CEO	2	<p><b>CEO Governance and Financial Management</b></p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11 within CEO, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p>	To start qtr 2

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Directorate	Qtr	Audit	Status
Corporate	2	<p><b>Contract Audit</b></p> <p>The contract audit needs assessment has been completed but the timetable has not yet been agreed. The contract audit plan includes time for revenue contracts, focussing on contract management and capital contracts.</p>	To start qtr 2
SCS	2	<p><b>SCS Governance and Financial Management</b></p> <p>(Following on from quarter 1 – see entry in plan)</p> <p>During the early part of quarter 2 Internal Audit will start to follow up on agreed actions from the audit of Governance and Financial Management 2010/11, and identify any areas which will require further testing. The programme of work for the rest of the year will be planned and agreed with relevant senior management.</p>	To start Q2
SCS	2	<p><b>Safeguarding</b></p> <p>The aim of the audit will be to provide assurance on the quality assurance framework for Safeguarding in respect of externally provided services, reviewing the scope, adequacy and reporting mechanisms within this process. The audit also will provide assurance on the annual review process, in respect of delivering safeguarding objectives. The audit will consider current improvements already planned or being actioned by the Directorate within the area of Safeguarding and the multi-agency peer audit to be independently led by the Oxfordshire Adult Safeguarding Board.</p>	To start Q2
SCS	2	<p><b>Client Care Funding</b></p> <p>This audit will follow on from the observations raised during the 2010/11 review where the systems in place within SCS appear to not maintain the correct level of documentation to support delivery of the needs of the client.</p> <p>Testing will focus specifically on deterring the process or control weaknesses and implications in not having robust systems to support service needs and operational decisions.</p>	To start Q2

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Directorate	Qtr	Audit	Status
Proactive Fraud	2	<p><b>Overtime Claims</b></p> <p>This proactive fraud exercise will utilise IDEA (data interrogation software) to assess the level of overtime claims being submitted. The review will aim to establish whether the overtime claims forms submitted and paid are appropriate.</p>	To start Q2

### COUNTER-FRAUD WORK PLAN FOR YEAR 2011/2012

GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
Creating an anti-fraud culture	1. Raising awareness:			
	<ul style="list-style-type: none"> <li>• Combating fraud and corruption eLearning course to be reviewed, revised as necessary and re-publicised.</li> </ul>	June 2011	eLearning reviewed and contents updated. ICT notified of changes required, with ICT to action.	Planned: June 2011
	<ul style="list-style-type: none"> <li>• Assist CGWG members in raising awareness and take up of eLearning within their directorates.</li> </ul>	August 2011	News item (as detailed in task / objective 2) ready for publication once revisions have been made.	Planned: June 2011
	2. Articles and Newsletters:			
	<ul style="list-style-type: none"> <li>• Submit news items for Council intranet on fraud and related subjects.</li> </ul>	June 2011	Intranet news item on revised Anti-Fraud & Corruption Strategy, Bribery Act, whistle blowing procedure and Combating fraud and Corruption eLearning produced. News item will be published once the revised strategy and eLearning course have been uploaded.	Planned: June 2011
	<ul style="list-style-type: none"> <li>• Review fraud and corruption corporate governance article</li> </ul>	May 2011	Review of fraud and corruption corporate governance statement completed.	Complete
3. Counter-Fraud Webpage:				
<ul style="list-style-type: none"> <li>• Develop &amp; maintain a Counter-Fraud section on the Intranet.</li> </ul>	July 2011	Intranet and internet (public site) pages on fraud and corruption and eLearning have been reviewed and updated (awaiting upload of revisions). The fraud number appears on the Internal Audit webpage and a webpage in relation to NFI has also been created.	Planned: July 2011	
<ul style="list-style-type: none"> <li>• Develop &amp; maintain a Counter-Fraud section on the Council's public website</li> </ul>				

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GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
	4. Counter-Fraud Awareness: <ul style="list-style-type: none"> <li>• Review and monitor completion of Combating Fraud &amp; Corruption eLearning course.</li> </ul>	November 2011	Completion of eLearning to be reviewed by Internal Audit, feedback to be provided to CGWG.	Planned: November 2011
Deterring fraud	5. Liaison with Communications Team: <ul style="list-style-type: none"> <li>• Discuss publicity requirements on all OCC cases and initiatives as the need arises.</li> </ul>	ongoing	Currently assessed on a case by case basis. Responsibilities covered in Anti-Fraud & Corruption Strategy.	ongoing
Preventing fraud	6. Counter-Fraud Policy: <ul style="list-style-type: none"> <li>• Review Anti Fraud and Corruption Strategy.</li> <li>• Include Fraud Response Plan in Counter-Fraud Manual.</li> </ul>	May 2011  May 2011	Review completed. Policy and strategy now combined and published on intranet / internet.  Fraud Response Plan included in revised Anti Fraud & Corruption Strategy.  Fraud response plan to be included in the Counter-Fraud Manual.	Complete  Complete  Planned: September 2011
Detecting Fraud	7. Audit Commission National Fraud Initiative (NFI) 2010/11: <ul style="list-style-type: none"> <li>• Co-ordinate responses to data matches</li> <li>• Monitor outcomes and confirm that issues are being reviewed and resolved appropriately.</li> </ul>	March 2012 (ongoing)  March 2012	Liaison with key contacts underway, key contacts are in the process of reviewing and responding to reports / matches  Sample testing of responses will be assessed	Planned: May 2011 ongoing  Planned: December 2011
	8. Produce a fraud risk assessment to inform areas for pro-active testing	August 2011	Risk assessment in the process of being drafted.	Planned: August 2011

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GENERIC AREA OF ACTION	TASK/OBJECTIVE	TARGET DATE	CURRENT POSITION	COMPLETION DATE
	9. Undertake proactive anti fraud testing to provide assurance on effectiveness of fraud controls.	March 2012	Two proactive audit reviews underway. Other potential areas for proactive testing to be identified and assessed on a quarterly basis, using fraud risk assessment detailed in 8 above.  Key Financial Systems testing will focus on key fraud risks.	Planned: July 2011 Ongoing
Investigating fraud	10. Create Internal Audit Counter-Fraud Manual.	September 2011	Investigations currently carried out in line with best practice and fraud protocol. Manual in process of being produced.	Planned: September 2011
Seeking to apply sanctions where fraud is proven	11. Maintain a close working relationship with Human Resources / Legal re: civil, disciplinary and criminal.	Each case	Ongoing working relationship with key council departments has been established. Covered in the revised Anti-Fraud and Corruption Strategy. To be formally documented in Internal Audit Counter-Fraud Manual.	Planned: March 2012
Supplying information so that redress may be sought	12. Take appropriate action to secure redress: <ul style="list-style-type: none"> <li>• Identify losses to the Council and seek to ensure that funds and assets remain within the Council.</li> <li>• In all cases where losses are identified seek to recover funds where possible.</li> </ul>	Each case	Covered in the revised Anti-Fraud and Corruption Strategy.	Completed
		Each case	Covered in the revised Anti-Fraud and Corruption Strategy.	Completed

## 2011/12 Quarter 1 Internal Audit Plan - Status

Directorate	Qtr	Audit	Status at 24 June 2011
CEF	1	<p><b>CEF Governance and Financial Management</b></p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.</p>	Exit meeting held – draft report to be issued.
CEF	1	<p><b>CEF Safeguarding</b></p> <p>This audit has been deferred from 2010/11 Internal Audit Plan. The aim of the audit will be to provide assurance that safeguarding framework, policies and procedures are working effectively.</p> <p>The audit will review the quality assurance framework, reviewing the scope adequacy, and reporting mechanisms within this process. The audit will also review the systems and processes in place for caseload management. The audit will follow up on any outstanding actions and test implementation of any priority 1 management actions from previous audits of Safeguarding Training, Safer Recruitment, and also relevant actions regarding accuracy and completeness of Frameworkki data included in the audit undertaken of Performance Indicators.</p>	Fieldwork started June – Exit meeting and reporting planned for July.
CEF	1	<p><b>YPLA (Young People's Learning Agency) – Sixth form funding</b></p> <p>Under the requirements of the YPLA Internal Audit are required to provide assurance on a cyclical basis over the funding paid in respect of local authority maintained schools with sixth forms. It will include review of processes in place to verify the completeness and accuracy of the school's data returns.</p>	Exit meeting booked – draft report to be issued early July.

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Directorate	Qtr	Audit	Status at 24 June 2011
CEF	1	<p><b>One System (EMS)</b></p> <p>One system is the main pupil database used across CEF. The audit will look review the use of the system across the directorate and to provide assurance on the accuracy and integrity of data on the system. A key aspect of the audit will be to review the financial governance surrounding payments generated by data supplied by the system.</p> <p>The audit will specially review the business processes in place to generate payments to providers within the Early Years Service.</p>	Exit meeting held – draft report to be issued early July.
CEF	1	<p><b>Early Years</b></p> <p><i>Original audit plan entry:</i></p> <p>Within the CEF Business Strategy, Early Years is undergoing significant restructuring / remodelling of service delivery. The audit will review the project for delivery of these planned changes, the audit will consider the processes planned following the implementation of these changes, ensuring that key governance and financial management controls are considered throughout transition.</p> <p><i>Revised audit plan entry:</i></p> <p><b>Early Years – Delivery of Savings Plan.</b> During quarter 1 Internal Audit will look to provide assurance on the robustness and accuracy of the savings plans in place for Early Years. The audit will consider the new structural changes in place and responsibilities for achievement of each part of the savings plan, reviewing that appropriate budget monitoring mechanisms are in place.</p> <p>Internal Audit will work with the Deputy Director to identify any future Internal Audit activity required to consider key governance and financial management controls as processes are reviewed / re-designed as part of the implementation of the CEF Business Strategy.</p>	Scope of audit amended and fieldwork start delayed until mid-June. Exit meeting and reporting planned for July.

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Directorate	Qtr	Audit	Status at 24 June 2011
EE	1	<p><b>EE Governance and Financial Management (including Customer Services)</b></p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.</p>	Exit meeting held – draft report to be issued.
EE	1	<p><b>Property and Facilities Procurement</b></p> <p>The audit will review the procurement exercise and mobilisation phase for the new Property and Facilities contract. The audit will follow on from the first phase review, completed in March 2011. The ISOS Stage, tender briefings and dialogue phase will be reviewed in quarter 2 and the ISDS Stage, dialogue and selection of preferred bidder will be completed in quarter 3.</p> <p>Further work on the mobilisation phase will be considered in quarter 4.</p>	Testing to be completed by 30 June.
EE	1	<p><b>New Highways and Transport Contract</b></p> <p>Operational from the 1<sup>st</sup> April 2010, this years audit will follow on from the 2010/11 review, focussing on the issues raised in relation to the operational processes designed to deliver the services of the Highways Contract.</p> <p>The review will assess progress in implementing the service Improvement Plan, as well as the effectiveness of the performance and risk management arrangements.</p>	Testing complete, draft report being collated.
EE	1	<p><b>Concessionary Travel</b></p> <p>With the administration of the Concessionary Travel scheme transferring to County Council responsibility from the 1<sup>st</sup> April 2011, the audit will focus on the handover arrangements and the design and effectiveness of processes and systems implemented the manage the scheme.</p>	Testing complete, draft report to be issued early July.

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Directorate	Qtr	Audit	Status at 24 June 2011
EE (Customer Services)	1	<p><b>Insurance</b></p> <p>The audit will provide assurance on processes in place to ensure that the Council has adequate cover for insurable risks and claims are being processed accurately and timely.</p>	Testing to start mid-July
EE (Customer Services)	1	<p><b>Procure to Pay</b></p> <p>This was originally included in the 2010/11 audit plan, however the implementation of the system for electronic scanning of invoices by the Accounts Payable Team has been delayed until 30 June 2011.</p> <p>Internal Audit will complete walkthrough testing on the designed processes prior to implementation.</p>	Draft management letter issued. Further testing to complete now system ready for walkthrough.
EE (ICT)	1	<p><b>ICT Strategy</b></p> <p>The audit will provide assurance on the implementation of the current ICT Strategy. The audit will review the strategy to ensure it is being effectively delivered, monitored and managed. The review will also ensure that the benefits of ICT are fully realised and the development of ICT supports corporate objectives and priorities.</p>	Final Report issued
EE (ICT)	1	<p><b>Internet Access and Security</b></p> <p>The audit will provide assurance on the security and access controls in place in relation to the internet and email, designed to reduce any potential misuse.</p>	Moved to Q3
EE (ICT)	1	<p><b>Disaster Recovery Project</b></p> <p>The audit will provide advice on the implementation of the Disaster Recover Project. The audit will also provide assurance on the design of controls being implemented as part of the project.</p>	Draft ToR
CEO	1	<p><b>Members Allowances</b></p> <p>The audit will provide assurance on the systems and processes in place to ensure the accuracy and integrity of allowances paid.</p>	Exit meeting booked draft report to be issued early July.

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Directorate	Qtr	Audit	Status at 24 June 2011
CEO	1	<p><b>Treasury Management</b></p> <p>An annual review to test the key controls to provide assurance that council funds are being effectively managed to support the delivery of council operations and to maximise investment opportunities for cash surpluses.</p>	Testing
Corporate	1	<p><b>Business Strategy Programme</b></p> <p>During quarter 1, Internal Audit will review the arrangements in place to monitor the delivery of the Directorate Business Strategies. It will include a review of the general governance arrangements, the management information being presented to the Business Strategy Group and any resulting actions. This analysis will help identify Internal Audit activity for 2011/12 to provide assurance that key risks associated with delivery of significant change across the organisation are managed effectively.</p>	Testing ongoing to understand Directorate governance arrangements
SCS	1	<p><b>SCS Governance and Financial Management</b></p> <p>This is an annual audit to review governance and financial management arrangements in place within each directorate. The programme of work will be completed over the whole year, and will include areas such as Financial Management including budget setting &amp; control, Structure and Authority, Information Governance, Risk and Performance Management, Project Management, Business Continuity, Human Resources and Legislation.</p> <p>During Quarter 1, Internal Audit working with the Corporate Performance Team will review the area of Performance Management.</p>	Exit meeting held – draft report to be issued.
SCS	1	<p><b>Alert Service</b></p> <p>The review will focus on the processes for re-assessing clients by Community Voice, that financial forecasts are accurate and robust, the financial charging process is effective and contract management and monitoring arrangements are in place.</p>	Testing

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Directorate	Qtr	Audit	Status at 24 June 2011
SCS	1 & 2	<p><b>Self Directed Support</b></p> <p>The audit will provide assurance on the effectiveness of the Self Directed Support process, considering any recent changes or improvements, including personal budget allocations and accounting, care plan delivery and client documentation.</p>	Testing
Proactive Fraud	1	<p><b>Compliance with Contract Procedure Rules</b></p> <p>This proactive fraud exercise will review compliance with the Council's Contract Procedure Rules. The review will utilise IDEA (data interrogation software) to identify all significant procurement activity and ensure the Council's requirements have been complied with.</p>	Testing
Proactive Fraud	1	<p><b>ICT Network Access</b></p> <p>Following on from the Council's ICT Acceptable Use e-learning, this proactive exercise will review the outcome of the e-learning and determine the reasons for any non-compliance in completing the training.</p>	Scoping