

Management summaries of completed audit assignments

Appendix 2(a)

Report No. BRK/12/04 – Final Report issued 16 August 2011

Audit Report on Data Protection and Freedom of Information

Audit Opinion

Adequate Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.
- There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
- This opinion is based from having raised three medium and two low priority recommendations.
- It should be noted that this opinion is based on having tested controls operated specifically at the Council's offices in Elizabeth House and not those operated by the Anglia Revenues and Benefits in Thetford.
- This area was last audited in 2007/08 with the report issued April 2008 and was awarded Adequate assurance with four recommendations raised regarding Data Protection and seven relating to Fol. Although the opinion has not changed, there is improvement since the previous audit.

Summary of Findings

Data Protection

The Council has a documented Data Protection Policy that is available to all staff and members. The Policy needs to reflect that it is subject to annual review and contain cross reference to the ICT Security Policy on secure storage of data. There also needs to be sufficient coverage of the Information Commissioner's Office (ICO) requirements on data sharing and data held on removable media.

All relevant data is registered with the ICO and registrations are renewed on an annual basis.

The Council has a data retention policy. Security arrangements are in place for manual and electronic data. Data is shared with contractors and partners in compliance with the ICO's data sharing protocol.

Subject access requests are recorded and timescales for responding are monitored. Despite this, one instance as noted where legislative timescales had been exceeded.

Data is subject to secure disposal by an external contractor and performance is monitored by the Council.

Freedom of Information

A publication scheme is in place following the requirements of the Freedom Of Information Act (FOIA).

The Council's website details information that is available to the public and how to access information under the FOIA. The Council does not provide information that is exempt from disclosure. Compliance with the legislative timescales is monitored, although two instances

were noted where the timescales for responding had been exceeded despite the Standards Officer having sent reminders (to the individual officers to comply with these timescales).

There is no record for separately recording exemptions and appeals and no routine reporting to management of the outcomes of such activity.

Sensitive or personal data is redacted as appropriate. Any exemptions are justified and communicated to the member of public who made the request. No policies or procedures are available for responding to vexatious requests. Appeals are independently reviewed.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Data Protection	Amber	Amber	0	2	0
	FoI	Amber	Amber	0	1	2
Total				0	3	2

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit

Management Responses

Management have accepted all recommendations raised.

Report No. BRK/12/05 – Final Report issued 29 September 2011

Audit Report on Sundry Debtors

Audit Opinion

Adequate Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk.
- There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
- This opinion is based on the fact that we have raised one medium and one low priority recommendation.
- Whilst there is evidence of improvement since the previous review, the level of assurance provided remains the same, hence the direction of travel remains unchanged.

Summary of Findings

Policy and Procedures

Procedural guidance has been documented, is available to staff and subject to ongoing review. Debt recovery procedures are reviewed on an annual basis and signed off by the Head of Legal Services and the Assistant Director of Finance and Section 151 Officer. The procedures are supported by overarching policies, which are reviewed on a three yearly basis and set out the key principles in respect of debt recovery and write off.

Raising of Sundry Debts, Refunds and Transfers

Sundry debtor invoices are raised and authorised at service level before being passed to Financial Services to process. An informal target of three days between receipt and dispatch of an invoice has been set and is being adhered to.

Debtor details are checked before input of a request form. Supporting documentation for invoices, refunds and transfers between accounts is retained. There is segregation of duties between the processing and authorisation of refunds and transfers.

Monthly reconciliations are completed in respect of sundry debtors and refunds and are subject to independent review.

Suspense

The sales ledger suspense account is reviewed and cleared on a daily basis, an audit trail is retained showing movements from suspense to the relevant account and the validity of each transfer is independently verified.

Processing and Recovery of Outstanding Debt

We noted instances where debts were not being passed to Legal Services after 40 days as specified in the recovery timetable. Instead, Financial Services undertake additional work to assist the Legal Services team, due to the loss of an administrative post in Legal Services. Case notes on Integra were not being updated to confirm these arrangements. Delays were also noted in recovery action for cases referred to Legal Services, due to the loss of the administrative post. Furthermore, monthly meetings that had previously taken place between Financial Services and Legal Services in order to discuss progress had not taken place during 2011/12.

Aged debt reports are produced and reviewed on a monthly basis with debts of particular concern being subject to further action. Instalment arrangements are approved by the relevant service area and are monitored by Financial Services as part of the monthly aged debt review process.

Cases are not generally placed on hold but should the need arise, the relevant service department would have to provide authorisation and actions would be documented in Integra.

Write off of Outstanding Debts

An audit trail / supporting evidence is retained to validate decisions to write off bad debts, and write off requests are subject to independent authorisation under delegated authority. Debts written off from the sales ledger are reconciled back to those approved as part of the month end process.

Security

There is segregation of duties with respect to the request and raising of invoices, request and processing of transfers and for request and processing of write offs.

Access to data entry functionality within the sales ledger system is limited to sales ledger staff and six 'super users', all of whom are senior members of the Financial Services team.

Performance Management

Performance is monitored within Financial Services with respect to the average number of days debtors take to pay invoices. Data is collected via the Integra system and the indicator is calculated using an Excel spreadsheet.

Risk Management

Risks have been identified as appropriate and are monitored on a quarterly basis via the Ten performance management system.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Policy and Procedures	Green	Green	0	0	0
	Raising of Sundry Debts, Refunds and Transfers	Green	Green	0	0	0
	Suspense Processing and Recovery of Outstanding Debt	Green	Green	0	0	0
	Processing and Recovery of Outstanding Debt	Green	Amber	0	1	1
	Write off of Outstanding Debts	Green	Green	0	0	0
	Security	Green	Green	0	0	0
	Performance Management	Green	Green	0	0	0
	Risk Management	Green	Green	0	0	0
Total				0	1	1

High Priority Recommendations

We have raised no high priority recommendations as a result of this audit

Management Responses

Management have accepted both recommendations raised

Report No. BRK/12/07 – Final Report issued 25 October 2011

Audit Report on Accountancy Services

Audit Opinion

Good Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

- There is a sound system of internal control designed to achieve the client's objectives.
- The control processes tested are being consistently applied.
- This opinion is based on having raised two low priority recommendations.
- The position of the direction of travel arrow indicates an improvement since the previous review.

Summary of Findings

Control Accounts

A schedule of control account reconciliations is in place and is adhered to. Reconciliations are completed in a timely manner and are subject to independent review, with supporting documentation retained. Up to date policies and procedures are in place for the day to day operation and monthly reconciliation of control accounts.

Banking

The Council is in the process of retendering for the banking contract. Eastern Shires Purchasing Organisation (ESPO) is managing the tender process on the Council's behalf via a framework agreement. A timetable is in place for completion of the tender exercise which allows sufficient time for the new contract to be in place in time when the current contract expires on 31st March 2012.

An up to date list of signatories had not been provided to the bank although the bank was immediately contacted to request a change of signatories form to reflect the recent departure of one signatory. As such, no recommendation is raised.

Bank charges are checked back to the Council's records on a quarterly basis. There is guidance in place for the daily banking arrangements.

Bank Reconciliations

Bank reconciliations are undertaken on a monthly basis in a timely manner and subject to independent review, with supporting documentation retained. Guidance exists over the reconciliation for all the Council's bank accounts.

Asset Register

Procedural guidance is in place for the management of the asset register. Access to the asset register is restricted to senior members of Finance and systems administrators. Acquisitions and disposals are subject to authorisation. Assets are re-valued on a rolling three yearly basis which complies with CIPFA requirements. Evidence is retained to support all valuations. Depreciation is calculated automatically within the system and checked. The register is reconciled each month to confirm accuracy and completeness.

Budgetary Control

Budgets are set in line with a pre-agreed timetable. Service Managers are engaged in the budget setting process. Responsibility for budget management has been defined and budget holders are required to confirm budget positions to Finance at quarterly intervals. Financial management reports are provided to budget holders on a monthly basis for their own monitoring purposes. Quarterly reports are issued to senior management, within which any significant variances are explained, along with remedial action taken.

Journal Entries

Journal transfers are independently authorised, with narrative provided enabling the validity of transfers to be traced through the system. Access to Integra is restricted by officer role. A full review of access rights was undertaken in April 2011 in response to the changes as a consequence of the shared services arrangements with South Holland District Council. Apart from this, there is no other routine checking of access levels.

Insurances

Insurance records are reconciled to the asset register on a three yearly basis in line with the revaluation of assets for insurance purposes. Renewal forms are submitted to Zurich Municipal, the Council's insurers, on an annual basis, detailing the assets held that require insuring. The current insurance contract expires on 30th April 2016. Arrangements for administering the insurance function are not formally documented.

Performance Management

Performance in respect of management reporting is monitored on a monthly basis internally within the Finance team. The directorate service plan is under review, with the existing plan due to run until the end of 2011/12. Performance mechanisms are due to be reviewed as part of the development of the new plan. Financial management reports are submitted to senior management on a quarterly basis.

Risk Management

Risks have been identified, along with mitigating actions. However, mitigation plans had not been updated on TEN for quarter four of 2010/11 or quarter one 2011/12 primarily due to changes in management arrangements following the partnership agreement with South Holland District Council. We confirmed that mitigation plans have been updated as at 30th September 2011 and that quarterly updates will recommence going forward.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Control Accounts	Green	Green	0	0	0
	Banking	Green	Green	0	0	0
	Bank Reconciliation	Green	Green	0	0	0
	Asset Register	Green	Green	0	0	0
	Budgetary Control	Green	Green	0	0	0
	Journal Entries	Amber	Green	0	0	1
	Insurances	Amber	Green	0	0	1

	Performance Management	Green	Green	0	0	0
	Risk Management	Green	Green	0	0	0
Total				0	0	2

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit

Management Responses

Management have disagreed with one recommendation raised:

Recommendation 1: Review of Integra access rights

Access rights to Integra should be subject to regular review e.g. quarterly or six monthly.

Rationale supporting recommendation 1:

Regular review of user access rights to the Integra system would help to ensure that access levels are correctly aligned to officer's areas of responsibility and to prevent unauthorised access.

A full review of access rights was undertaken in April 2011 in response to the changes arising from the shared services arrangements with South Holland District Council. The Finance and Systems Officer explained that this review proved useful in that it identified instances where officers had access to areas of the system they did not necessarily require for their role and agreed that as such, it would be useful to undertake a similar review on a more pro-active basis going forward.

Where systems access rights are not subject to regular review, officers may have access to areas of the Integra system that they do not require, thereby increasing the risk of unauthorised and or inappropriate activity.

Management Responses

We currently amend records following receipt of monthly starter lists from payroll and appropriately authorised change requests from Managers. We have asked to be advised by HR of any movements between departments to ensure there is a formal system to capture this activity, but do not propose to implement quarterly or six monthly checks, as management feel this is not proportionate to the risk.

Report No. BRK/12/15 – Final Report issued 25 October 2011

Audit Report on Virus Protection and Spyware

Audit Opinion

Limited Assurance given

Rationale supporting award of opinion

The audit work carried out by Internal Audit indicated that:

Weaknesses in the system of internal controls are such as to put the client's objectives at risk. This opinion has been given due to the fact that the audit has raised six Medium Priority, and one Low Priority recommendations, which are required to raise current weaknesses identified during the audit to a current and leading practice.

This system was previously audited in 2009 with Adequate Assurance given. Therefore, the level of control has been seen to deteriorate.

Summary of Findings

Policies and Procedures – There are policies and procedures in place relevant to the management of Anti Virus, Spyware and Malware although the main Information Security policy and Guidelines document requires general review. A recommendation on this has been raised. There are weaknesses where the control of software by IT is concerned as currently users are able to bring in their own external storage devices (for example, USB memory sticks), and system settings do not prevent them installing unauthorised software, however, there is a Device Control project in place that is testing a solution to manage user access to such devices. Users are not able to download software from the Internet as the Firewall is configured to block certain file types which includes the .exe extension, most commonly used to enable installations. Good controls were noted with respect to GCSX requirements to have more than one Anti Virus solution in place.

Anti Virus/Spyware Software – Technical Controls – sample testing of a number of web browser installations confirmed good practice over browser configuration is in place. The Sophos Enterprise solution is installed on all client machines (e.g. laptops and PC's) and is an all in one product that includes Spyware, Malware and other capabilities. In addition to Virus detection, virus definitions are set to automatically update every 60 minutes.

The process for hardware patch management has not been running for several months due to resource constraints and there are a number of machines noted by the Sophos Enterprise solution as being unreachable. Management are in the process of conducting a hardware audit to identify all relevant hardware and their current status in order to identify the machines not being updated. Recommendations have been raised to address these weaknesses.

User Controls – There are good controls maintained in this area. Users are trained to advise IT of any possible malicious software having been detected on their machines. In addition, Sophos is configured to alert IT of the occurrence. Policies include reference to the consequences of policy breach.

The following number of recommendations has been raised:

Adequacy and Effectiveness Assessments	Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
				High	Medium	Low
	Policies and Procedures	Amber	Amber	0	3	1
	Anti Virus/Spyware Software – Technical controls	Amber	Amber	0	3	0
	User Controls	Green	Green	0	0	0
Total				0	6	1

High Priority Recommendations

No high priority recommendations have been raised as a result of this audit

Management Responses

Management have accepted all recommendations raised.