Havering
LONDON BOROUGH

AUDIT COMMITTEE
19 February 2014

Subject Heading:	Internal Audit Systems Report Summaries 01.10.2013 to 28.01.2014
Report Author and contact details:	Kate Brunning, Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Committee of the findings and recommendations made in systems audit reports issued during Quarter Three of the 2013/14 Internal Audit Plan.
Financial summary:	N/A

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	X
Excellence in education and learning	X
Opportunities for all through economic, social and cultural activity	X
Value and enhance the life of every individual	X
High customer satisfaction and a stable council tax	X

SUMMARY

This report provides the Audit Committee with summaries of internal audit reports issued during the period 1st October 2013 to 28th January 2014. Information on recommendations made by audit and managements' response to the recommendations is provided for reports where limited assurance was given. This will provide the Committee with assurance that appropriate plans to mitigate risk have been put in place.

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│          RECOMMENDATIONS            │
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1.   To note the contents of the report.

2.   To raise any issues of concern and ask specific questions of officers where required.

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│            REPORT DETAIL            │
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1.   INTRODUCTION

1.1   Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.

1.2   For each risk based audit where controls have been analysed, an assurance statement is issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:

Full: There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.

Substantial: While there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Limited: Limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

No Assurance: Control is generally weak, leaving the system open to significant error or abuse, and/or significant noncompliance with basic controls leaves the system open to error or abuse.

1.3   Recommendations are made to mitigate weaknesses identified in the system of control. Recommendations are categorised into three levels of priority to ensure that those addressing areas of significant risk are implemented as a priority. The three categories comprise:

High: Fundamental control requiring implementation as soon as possible.

Medium: Important control that should be implemented.

Low: Pertaining to best practice.

1.4   Eight systems audits, including a forensic review of the schools admissions system, were finalised during the period 1st October 2013 to 28th January 2014.

1.5   The eight systems and the level of assurance provided where applicable are shown below:

SYSTEM	ASSURANCE
Emergency Assistance Scheme	Limited
Temporary Agency Worker Contract	Substantial
Compliance With Corporate Policy: Sickness Absence	Limited
Traffic & Parking Control: Cancellation Of Penalty Charge Notices Follow Up Audit	Substantial
School Admissions Forensic Review	N/A
JCAD LACHS Application System Review	Substantial
Network Permissions Follow-Up Audit	Substantial
Axise Pension System Hosting Review	No Assurance

1.5   Summaries of the eight systems audit reports are included in Sections 2.1 to 2.8 below.

2.   REPORT SUMMARIES

2.1   EMERGENCY ASSISTANCE SCHEME

Summary of Audit Findings

2.1.1   The nature of the Emergency Assistance Scheme, which exists to support vulnerable individuals who find themselves in need of immediate financial support, potentially compromises the level of control that can be actioned within the system.

2.1.2   Current arrangements are sufficient to provide assurance that money and goods are adequately administered in line with expectations. Internal audit found that whilst the assurance is largely based on the integrity and experience of the individuals involved in the process, reliable and accurate information on money and goods provided is maintained by Disablement Association Of Barking And Dagenham (DABD). Additionally adequate levels of management information, coupled with regular monitoring meetings and a good working relationship with the provider ensures that any deterioration in performance would be detected early.

2.1.3   Given that this is the first year that the Council has been responsible for delivering the service, it was inevitable that there would be challenges and that lessons would need to be learned. The sub-contracting of loan recovery and debt recovery to Liberty Credit Union (LCU) presents a potential risk to LB Havering due to the fixed fee nature of the service contract between DABD and LCU.

2.1.4   The significant weaknesses identified comprise:
- DABD's costs for the loan repayment and debt recovery element of the contract were not included in the original contract sum An additional £25k payment was agreed by LB Havering to fund this element of the contract. There is therefore the risk that the contract provides LB Havering with poor value for money.
- The volume of anticipated transactions was significantly overestimated. 57 loans were made during the period April to December 2013 however the expected number was 1800 for the period April 2013 to July 2014. This may have led to LB Havering agreeing to pay the additional £25k.
- A process for dealing with irrecoverable debt has not been established.
- Reconciliations of non-cash assets are not formally documented by the provider.

Audit Opinion

2.1.5   Limited Assurance has been given as the audit found that limitations in the systems of control were such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

2.1.6   The Internal Audit found that the system of control for the administration of goods and money is effective and would if separately audited receive a

substantial assurance. The weaknesses in the overall system arising from the subcontracting of the loan repayment and debt recovery function are however, sufficient to influence the overall audit opinion.

Recommendations

2.1.7 The audit has made three medium and one low priority recommendations addressed to the Revenues & Benefits section. The recommendations were designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations and managements' responses are shown in the table below.

1. Recommendation		Priority
When the contract period ends in July 2014, Havering must ensure that the successful provider; • can accommodate the administration of the loan element of the service internally; or • that appropriate cost provision has been made to fund the externalisation of this service.		Medium
Management Response	Client Management of the contract with DABD transferred to Exchequer Services from Adults in April 2013. The contractual arrangements for the administration of the loan element between Adults and DABD were an addendum to the original contract made by Adults. Any extension of the current contract or new contract will incorporate Recommendation 1.	
Responsible Officer	Council Tax & Benefits Manager	
Implementation Date	June 2014	
2. Recommendation		Priority
Advice to be sought from Legal Services to ascertain whether DABD are legally entitled to apply to the Council for reimbursement of any funds not received as part of the £25k recovered EAS loan monies at the end of the contract duration.		Medium
Management Response	Whilst the agreements and codicils with DABD were inherited from Adult Services, Exchequer will ensure that any reimbursements are made in accordance with the Council's legal and financial policies and framework.	
Responsible Officer	Council Tax & Benefits Manager	
Implementation Date	March 2014	
3. Recommendation		Priority
Suitable arrangements should be established for dealing with irrecoverable debt, including approvals. These should be incorporated into the contract upon renewal or the current contract amended to include.		Medium
Management Response	DABD and LCU have been given no authority to discharge or waive debt. A policy will be developed and documented which enables DABD to recommend	

	and seek authorisation from Havering Council to write-off unpaid loans.
Responsible Officer	Council Tax & Benefits Manager
Implementation Date	March 2014 – Arrangements to be established. June 2014 – For inclusion to the contract.

4. Recommendation		Priority
LBH to discuss with DABD formalising the reconciliation process to provide documentary evidence that this check is being completed.		Low
Management Response	Agreed	
Responsible Officer	Council Tax & Benefits Manager	
Implementation Date	March 2014	

2.2   TEMPORARY AGENCY WORKER (TAW) CONTRACT

Summary of Audit Findings

2.2.1   The audit found:
- £300k of non-Adecco TAW costs were coded to the 'Agency Staff' subjective during the period April to July 2013.   Our analysis found that the majority of this spend did not relate to Temporary Agency Worker payments.
  The justification for the employment of a TAW is not included on reports from BeeLine that can be generated by Havering staff.
- Managers were unaware of the need for TAWs to keep timesheets.
  As a consequence managers are not reconciling TAW timesheet data to Adecco invoices.
- TAWs are employed for lengthy periods of time.
  Not all rates paid accord with the current rate card.
- System access of TAWs no longer employed by the Council is not being removed.

Audit Opinion

2.2.2   Substantial Assurance has been given as while there is a basically sound system, there are limitations that may put some of the systems objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Recommendations

2.2.3   As a result of this audit one high, six medium and two low priority recommendations were made. The recommendations were designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations and managements' responses are shown in the table below.

1. Recommendation		Priority
Copy of TAW contract to be held by those with a day to day responsibility of ensuring compliance.		High
Management Response	Operational HR will retain a copy of the contract for their own records, as well as the copy held by Legal.	
Responsible Officer	Senior HR Advisor	
Implementation Date	December 2013 - implemented	
2. Recommendation		Priority
Copies of contracts to be held electronically and made available to the relevant Contract Manager.		Medium
Management Response	Agreed	
Responsible Officer	Head of Legal and Democratic Services	
Implementation Date	31/3/14	

3. Recommendation		Priority
Managers are reminded of the need to ensure that temporary agency workers are sourced through the Adecco contract.		Medium
Management Response	This will be re-iterated at CMT for dissemination. Will also include in further Global Email.	
Responsible Officer	Procurement Business Partner	
Implementation Date	February 2014	

4. Recommendation		Priority
Managers are challenged during the monthly budget reporting cycle regarding temporary agency worker spend with suppliers other than Adecco, including miscoding expenditure against the Agency Worker subjective.		Medium
Management Response	The role of ensuring correct coding and compliance with corporate contracts lies with the cost centre manager; this would not be addressed as part of routine budget monitoring with Operational Finance. In the longer term iProcurement will have better controls of expenditure channels, highlighting areas of off contract spend.	
Implementation Date	Post One Oracle implementation	
Responsible Officer	Operational Manager	

5. Recommendation		Priority
The inclusion of justification on BeeLine reports to be investigated to enable monitoring of relevance of justification used.		Medium
Management Response	This report can now be extract from Beeline to enable justification monitoring.	
Responsible Officer	Senior HR Advisor	
Implementation Date	Implemented	

6. Recommendation		Priority
Operational HR to remind managers employing TAWs of the need to keep records of hours worked as a secondary check to what is being claimed.		Medium
Management Response	An email will be sent to all timesheet approving managers to remind them to keep records of hours. We will also ask Adecco to communicate to second tier suppliers and to all TAWs.	
Responsible Officer	Senior HR Advisor	
Implementation Date	January 2014	

7. Recommendation		Priority
Group Directors/Heads of Service to review justifications used when engaging TAWs in order to ensure compliance with the CMT agreed options when agency workers may be engaged		Low
Management Response	Operational HR now provide Group Directors with the information necessary to monitor	

	justification.
	Works is to be undertaken reviewing the current justifications used within the system.
	'Other' is to be removed, with discussions being held as to potential additions to the current list of justifications.
Responsible Officer	Strategic HR/ Operational HR
Implementation Date	February 2014

8. Recommendation		Priority
Rates included on the rate card to be reviewed and brought in line with current market expectations.		Low
Management Response	Plans are being made to review the current rate card with Adecco as it's been in place for a year.	
	Currently any changes to the rate card have to be agreed after completion of a business case. Adecco would let HR know what current markets rates are based on other boroughs spend.	
Responsible Officer	Procurement Business Partner / Senior HR Advisor	
Implementation Date	28/2/14	

9. Recommendation		Priority
List of TAWs whose contract has ended to be supplied to Business Systems in order for system access to be removed/user profiles to be deactivated.		Medium
Management Response	Weekly TAW leavers report sent to Business Systems each week.	
Responsible Officer	Adecco Contract Manager	
Implementation Date	October 2013 - implemented	

2.3   COMPLIANCE WITH CORPORATE POLICY: SICKNESS ABSENCE

Summary of Audit Findings

2.3.1   The 'No Sickness Absences' report run from the Oracle HR system has proven to be accurate in all of the cases selected and tested as part of our sample.

2.3.2   The 'No Sickness Absence' report included four members of staff who had terminated their employment during the previous 12 months.

2.3.3   Managers are complying with formal sickness monitoring in ensuring Return to Work forms are completed and including notes as to first reviews or further acknowledgement of triggers. These monitors however, are not always recorded in the correct field on Self Service despite being correctly managed.

2.3.4   The lack of fitness notes copied to the Self Service system demonstrates a lack of understanding of the requirements of the procedure. Fourteen Return to Work (RTW) forms make mention of fitness notes although only 3 were recorded / uploaded accurately.

2.3.5   Two managers declared that they had not received formal sickness procedure training despite it being mandatory.

Audit Opinion

2.3.6   Limited Assurance has been given as the audit found that limitations in the systems of control were such as to put the system objectives at risk, and / or the level of non-compliance puts the system objectives at risk.

Recommendations

2.3.7   As a result of this audit one high and two medium priority recommendations were addressed to the Strategic HR and Operational Development 1 sections. The recommendations were designed to address weaknesses in the control environment and the implementation of the recommendations will enable the resulting risks to be mitigated. The recommendations and managements' responses are shown in the table below.

5. Recommendation		Priority
HR to review attendance of sickness training and any non-attendance addressed.		High
Management Response	Agreed	
Responsible Officer	Mark Porter, Operational Team Manager	
Implementation Date	February 2014	
2. Recommendation		Priority
Delegation arrangements of tasks regarding sickness absence reporting and document retention by managers in off-site offices should be reviewed.		Medium
Management Response	Agreed	

Responsible Officer	Andrew Blake-Herbert, Group Director	
Implementation Date	April 2014	
3. Recommendation		**Priority**
Management should consider developing a checklist to complement the current policy and procedure to further assist managers in ensuring that correct documents are uploaded to the relevant area of the system in a timely manner.		Medium
Management Response	Agreed	
Responsible Officer	Caroline Nugent, Head of HR and OD	
Implementation Date	June 2014	

2.4 TRAFFIC & PARKING CONTROL: CANCELLATION OF PENALTY CHARGE NOTICES FOLLOW UP AUDIT

Background

2.4.1 An audit of the Cancellation of Penalty Charge Notices (PCNs) was undertaken in October 2012. The aim of the audit was to provide assurance that robust arrangements were in place to manage the cancellation of PCNs by the Challenge Team, monitor performance and produce management information.

2.4.2 The final audit report provided 'Substantial Assurance' and made one high, five medium and one low priority recommendations. All of the recommendations were agreed at the time of issuing the final report and deadlines for all were prior to the 30th September 2013.

Progress on Implementation

2.4.3 A formal follow up was undertaken and progress made in implementing recommendations was reviewed. Where actions had been completed by management, evidence to support this was gathered. The results are summarised below:
- Three recommendations have been completed at the time of the follow up;
- Four recommendations have been partially implemented and further work is required to fully mitigate the risks.

2.4.4 Extended implementation dates have been identified for the four recommendations that are in progress or outstanding.

Conclusion

2.4.5 The follow up indicates that good progress has been made in implementing recommendations and therefore addressing the risks identified by the original audit.

2.4.6 Due to the progress in implementing recommendations the assurance provided from the audit work remains at a 'Substantial Assurance'.

2.5 SCHOOL ADMISSIONS FORENSIC REVIEW

Summary of Audit Findings

2.5.1 Detailed analysis of 231 suspect applications found 6 cases where an offence was detected. This equates to approximately 2.6 % of the original sample. It is therefore highly probable that the marked increase in school applications as detailed in the 'An analysis of School Applications in Havering July-October 2013' Report, is not attributable to fraud.

2.5.2 Whilst it is beyond the scope of the Investigations Team and of this report to confirm the causes behind this increase, it is suspected that such a sudden and dramatic change may be caused by the recent change in policy surrounding welfare reform i.e. the Benefit Cap and Council Tax Reduction Schemes, causing the migration of families to the LB Havering area.

2.5.3 With regards to the actual cases where fraud and potential fraud was identified; investigations into the cases involving Housing Benefit and/or Council Tax Support are still on-going as the investigations take a significantly longer period of time to complete than has been allotted for this fraud review. These claimants will likely face an overpayment of their HB and/or CTS of anything up to several hundred pounds in each case and may be considered suitable for a formal sanction.

2.5.4 The two detected cases where the school application was found to be false are unlikely to face any action as it is the Authority's policy not to withdraw the children from school. This is to avoid causing the child an unnecessary level of disruption as a result of an action by their parent / guardian. Additionally, the parent / guardian in these cases will not face any action or prosecution as proceedings are likely to be unsuccessful and there are no alternative sanctions that can be considered. However should the recommendations made in this report be implemented, the option to take prosecution proceedings would be available in the future.

Recommendations

2.5.5 The report made 4 recommendations designed to significantly increase the likelihood of a successful prosecution for an offence under S.2 of the Fraud Act 2006; improve the detection rate of potentially false applications and deter potential fraudsters. The recommendations and managements' responses are shown in the table below.

1. Recommendation	Priority
Amending the existing declaration on the school application form, highlighting to the applicant that making a false application may be an offence as it could cause a loss to the Authority and that the Authority would seek to recover any losses caused.	Medium

Management Response	Agreed, we would also like to implement this across the East London Solutions partnership area given the travel to study patterns etc.
Responsible Officer	Janet James, Admissions Manager
Implementation Date	31st March 2014

2. Recommendation	Priority
Including a warning on the LBH website that providing false information to secure a place may be an offence as it could cause a loss to the Authority. It is not possible to make any such amendments directly to the on-line application regarding the declaration as the on-line application is made via an external e-application portal. Ii is therefore recommended that this issue be raised at a future London Inter Authority Admissions Group (LIAAG) meeting.	Medium

Management Response	Agreed.
Responsible Officer	Janet James, Admissions Manager
Implementation Date	31st March 2014

3. Recommendation	Priority
The Authority's staff responsible for assessing school applications are provided with additional tools, i.e. LoCTA and CallCredit. Whilst LoCTA will not entirely rule out the need to make enquiries directly with other Authorities, it should expedite a proportion of those in certain cases. CallCredit could also be used to obtain confirmation of residence at the given or alternative addresses for those applicants who have claimed to have resided at a property for in excess of several months. As the Authority currently holds a licence with these organisations, the access could be provided at a minimum cost.	Medium

Management Response	Agreed.
Responsible Officer	Janet James, Admissions Manager
Implementation Date	31st March 2014

4. Recommendation	Priority
Information regarding the two detected cases of admissions fraud to be forwarded to the School Admission team.	Medium
Management Response	The School Admissions Team will follow up these two cases and challenge the parents, especially as the parents may be making future applications for the same school and using a sibling link to gain higher preference.
Responsible Officer	Janet James, Admissions Manager
Implementation Date	31st March 2014

2.6   JCAD LACHS (LOCAL AUTHORITY CLAIMS HANDLING SYSTEM) APPLICATION SYSTEM REVIEW

Summary of Audit Findings

2.6.1   The JCAD LACHS system is used by the Council's insurance team to manage claims. The system is also used to analyse claims data and monitor and control exposure effectively.

2.6.2   The audit identified the following strengths in the JCAD LACHS application system:
- Officers are trained by the application owner with a one to one training approach. If required, further training can be provided by JCAD.
- The distribution and tailoring of permissions across the active user base complies with the principle of least privilege3.
- LACHS has a highly developed performance reporting functionality, which satisfies the needs of the Insurance department.
- There is adequate capacity allocated to the LACHS virtual server and warning triggers are in place if the available space is less that 10%.
- The LACHS virtual server sits on a physical server which exists in a 'high availability' cluster (group of physical servers), consisting of four nodes (physical servers). If one node fails the service will failover to a functioning node, thus minimising down time to an absolute minimum and allowing the failed hardware to be safely replaced.
- Mitigating controls are in place to guard against the risk of server room disaster.
- Backups are held in both Newport and Telford, which are geographically separated.

2.6.2   Weaknesses have been identified in relation to:
- Access controls for users (this risk is partially mitigated by the limited
- accessibility to the application)
- Access controls for the administrator (this risk is partially mitigated by the limited accessibility to the application)
- The absence of audit trail functionality within the application
- Weaknesses in relation to the service continuity measures in place
- Contract management surrounding the application

Audit Opinion

2.6.3   A **substantial** assurance opinion has been issued for the following reasons:
- On a fundamental level, there is a sound system of control in place, however, some weaknesses have been identified in the system and there is evidence of noncompliance.).
- Basic processes are established and repeatable, however, they have not been fully documented and standardised and are not being actively managed and measured.

Recommendations

2.6.4　The audit made 22 recommendations to address issues identified in the 13 control areas reviewed. The recommendations and managements' responses are shown in the table below.

1.　　Recommendation	Priority
The System Owner should perform a risk assessment to establish which access module is most appropriate for the needs of the Insurance department and the sensitivity of the data. Additional control would be introduced by having different user credentials at the operating system layer and the application layer. This decision should be driven by the risk appetite of the System Owner.	Medium
2. The access control method must be standardised for all officers, using either a single sign-on approach or an additional application layer of security. If application layer access is adopted, strong passwords should be adopted in line with ICT's Password Policy and they should be confidential.	High
3. If application layer controls are adopted, the application password requirements must align with the council's criteria for 'strong' passwords, for example: ☐ Alphanumeric passwords should be enforced ☐ A minimum password length should be enforced (e.g. 8 characters) ☐ Users should be required to change their password periodically (e.g. every 90 days).	High

Management Response	**Integrated login will be removed for each user. This will be actioned when JCAD are on site for training planned for near future.**
Responsible Officer	Paula McLoughlin
Implementation Date	End Feb 2014

2.　　Recommendation
1. A 'strong' password should be introduced for administrator functionality within the application system. A strong password should have the following characteristics: ☐ Contain both upper and lower case characters (e.g., a-z, A-Z) ☐ Have digits and punctuation characters as well as letters e.g., 0-9, !@#$%^&*()_+|~-=\`{}[]:";'<>?,./ ☐ Are at least eight alphanumeric characters long. ☐ Are not a word that can be found in any dictionary (regardless of language). ☐ Are not based on personal information, names of family, etc. ☐ Passwords should never be written down except in the password safe. 2. A secondary officer should be trained to use the administrative functionality of the application system, in the event that the System Owner cannot fulfil her duties.
Management	JCAD have advised that this can be done. Changes to

Response	passwords will be timed to coincide with JCAD's on-site training in order to mitigate possible problems. Secondary officer will be shown how to access admin functions as part of LACHS functionality training provided to Insurance Officers.
Responsible Officer	Paula McLoughlin
Implementation Date	End Feb 2014

3.	Recommendation
The System Owner should liaise with JCAD to establish whether the application system has audit trail functionality. Due to the lack of viable application alternatives within the marketplace, the service may have to be resigned to accepting this risk and adopting a system that has no audit trail functionality.	
Management Response	The Status History tab on a claim provides a limited audit trail. A new line is written into the Status History every time the status of the claim is altered, or there is an addition, amendment or deletion of a payment or estimate. JCAD advise that they are in the process of developing a new major version release of LACHS which will incorporate a comprehensive audit history. We will consider upgrading at that time subject to the requirements of the service and financial constraints.
Responsible Officer	Paula McLoughlin
Implementation Date	When available

4.	Recommendation
Insurance should liaise with ICT to identify solutions for successfully virtualising LACHS. A solution here would enable feasible service continuity plans to be developed and also allow remote working with the application. If virtualisation cannot be achieved alternative contingencies should be explored.	
Management Response	Do not agree as LACHS is available via Remote Access Portal.
Responsible Officer	
Implementation Date	

5.	Recommendation
Insurance should assess the potential benefits of defining an expected support service performance in a Service Level Agreement. While the current support is adequate, it would be beneficial if there was a common understanding, as defined by timescales, between Insurance and JCAD of what constitutes an acceptable support service. 2. Insurance should review the 5% annual payment increase arrangements,	

assessing whether the nature of the service provided by JCAD has changed significantly since initiation and the extent to which JCAD have increased the annual cost. Insurance should assess the value for money achieved from the contract to establish whether any cost increase is justified. If the nature of the service changes significantly the contract should be rewritten to reflect this.
3. Insurance should review the provision for consequential loss and establish whether this aligns with their needs. If the software provider is negligent, and this causes service outage and consequential loss, the department should have a route for legal recourse.
4. In line with current plans, either the service or ICT should request JCAD to complete a Code of Connection agreement, confirming compliance with the behavioural requirements of the council.

Management Response	The current contract with JCAD states, 'a call identifying a possible error or raising a query will normally be acknowledged by the Licensor immediately. If not acknowledged immediately then it will be acknowledged normally during that working day but failing that, within twenty four hours of the time of receipt. At the time of acknowledgement the query/problem will be resolved or a schedule planned for resolution. The aim would be to resolve the query/problem as soon as possible". This is adequate for the needs of the service and no issues have been encountered. 2. The 2014 application for payment received from JCAD does not include a 5% inflationary increase. We will negotiate revised terms when a new service is retendered. 3. The scope for consequential loss due to service outage is minimal and an acceptable risk to the service. 4. JCAD do not currently carry out any work requiring this but are happy to enter into a Code of Connection if required. ICT to obtain the Code.
Responsible Officer	Paula McLoughlin/Gary Griffin
Implementation Date	Various

6. Recommendation	
The following active accounts with generic access credentials were identified: ☐ JCAD The 'JCAD' account has high level permissions (consistent with those of the current System Owner). This generic account is employed at other councils for developer access, consequently, it represents a widely known access route into the application that may be exploited. This account is accessed via application layer access controls.	
Management Response	Generic accounts have been removed.
Responsible Officer	Paula McLoughlin
Implementation Date	Implemented, 8/10/2013

7.	Recommendation
1. The System Owner should liaise with JCAD, to identify the benefits of upgrading the application system, with specific focus on any security benefits that may achieved. If the benefits are significant the System Owner should implement the update, working with ICT and the developer to safely implement the update (e.g. using a test system to test changes before live environment implementation). 2. Procedures should be developed supporting the core usage of the application system, reflecting the tailored approaches of Havering council. Staff should be required to comply with the approved approach, to optimise efficiency when using the application.	
Management Response	JCAD advise that they are in the process of developing a new major version release of LACHS. We will consider upgrading at that time subject to the requirements of the service and financial constraints. 2. Insurance has a JCAD guidance manual, online guidance and support from JCAD. Customisation of the system is limited i.e. the identification of the relevant Insurance Officer and ward area for e.g. All insurance officers are required to comply with standardised and agreed working methods and their work is regularly monitored and reviewed by the Insurance Manager. Consideration will be given to the development of procedure notes if the upgrade to a significantly revised version of LACHS is made.
Responsible Officer	Paula McLoughlin
Implementation Date	To be determined on issue of upgraded version of LACHS

8.	Recommendation
1. Written procedures should be established, covering key administrative processes for creating, managing and deleting/suspending users. 2. It would be beneficial for Insurance to clarify with JCAD the impact of deleting users. A solution may be identified, which enables Insurance to delete obsolete user accounts.	
Management Response	The guidance manual and support from JCAD is considered adequate in light of the very infrequent need to undertake these tasks. 2. The implications have been clarified with JCAD. The process used by Insurance is to uncheck a previous user's ability to connect to the system, thereby deactivating their account. Obsolete users' accounts are not deleted in order to maintain an audit trail and user profile that can be applied to new users' accounts. , they are ineffectual if they cannot connect but consideration can be given to deleting old users.
Responsible Officer	Paula McLoughlin
Implementation Date	November 2013

9.	Recommendation
Insurance should identify their backup needs and potential risks to data, ensuring ICT's back-up solution is adequate. For example, maintaining a monthly backup alongside the short term incremental solution may provide a greater degree of contingency.	
Management Response	LACHS programme will be moved to a new server and back up will be scheduled
Responsible Officer	Paula McLoughlin
Implementation Date	31 December 2013

10.	Recommendation
The application owner should consider the potential benefits of implementing a formal Escrow and assess whether the current contractual provisions are adequate in light of the department's reliance on the application.	
Management Response	Insurance Manager has sought advice from ICT who advised that they do not undertake ESCROW agreements with any supplier. In the event of JCAD failing, we would retender for a replacement. We would not want to develop the solution ourselves, which is what ESCROW allows you to do. The estimated cost of entering into an Escrow agreement is in the region of £1,500 with an on-going annual cost of approximately £750. This option does not provide the council with value for money. The system administrator/contract managing officer has considered the risk and concludes that the potential cost of the Escrow agreement and absence of ICT support makes this option unfeasible.

Responsible Officer	Paula McLoughlin	**Implementation Date**	10 October 2013

11.	Recommendation
1. The System Owner should ensure that Insurance Officers are always automatically prompted to assess newly submitted claims for duplication and potential fraud. 2. The management of claim financial information (EDI financial downloads and error handling and manual entry) should be supported by a procedural document. 3. Insurance should detail claim data/information input requirements when drafting supporting procedures (see *Recommendation 8 (2)*).	
Management Response	System administrator will check all system prompts are enabled for each user when carrying out password strengthening procedures as outlined in response to EX01 & EX02 above. 2. & 3. Insurance Officers have developed their own procedural notes. These will be amalgamated and made available on a shared drive.

Responsible Officer	Paula McLoughlin	**Implementation Date**	End February 2014

12.	**Recommendation**

A concise document outlining key contacts, and ownership over the application support elements, should be drawn up. Key stakeholders must be made aware of this document.	
Management Response	The users of the LACHS application are aware of the roles and responsibilities of JCAD and LB Havering's ICT. ICT contact is via the ICT helpdesk as all system users are aware. Current users receive newsletters which provide current information and up to date contact details for JCAD. There is also a www. resource integral to the system providing online help and links to the JCAD website where current contact details can be obtained as well as a link to an online forum and all the system details required for contact with JCAD. Due to the limited number of users the system administrator considers such a document to be not necessary as the most up to date information is available via the system.
Responsible Officer	Paula McLoughlin	**Implementation Date**	N/A

2.7 NETWORK PERMISSIONS FOLLOW-UP AUDIT

Background

2.7.1 The follow-up audit was undertaken to assess the actions taken to implement recommendations arising from a previous audit, which examined the controls in place in relation to Network Permissions. The audit opinion for the original review, issued in November 2012, was Limited Assurance.

2.7.2 The focus of the follow-up review was on the progress made in managing key risks due to time limitations. The findings are based on the feedback provided by the responsible officers and evidence, when it could be promptly provided.

Summary of Audit Findings

2.7.3 ICT have made improvements to several areas of the internal control environment, however, certain key controls have not yet been implemented.

Audit Opinion

2.7.4 In the original report, it was Audit's opinion that there was Limited Assurance. Progress has been made by ICT to address the most critical risks flagged in the original audit report; consequently we have revised the assurance opinion to **Substantial Assurance**.

2.7.5 ICT are strongly advised to revisit any agreed management actions which have not yet been performed.

2.8 AXISe PENSION SYSTEM HOSTING REVIEW

Summary of Audit Findings

2.8.1 From discussion with the responsible officers, we were able to establish that the hosting agreement was agreed at committee level, as part of a joint working initiative with Redbridge. This ultimately collapsed, although the hosting arrangement remains. It appears that although this was agreed at a high level, no contract was ratified to formally agree the nature of the services provided. The findings are especially concerning as service delivery issues, such as service outages, have been encountered throughout the lifetime of the arrangement. It is only in recent times that the service delivery has improved. As a consequence of these issues, approximately half of the audit test areas could not be assessed.

Audit Opinion

2.8.2 A **No Assurance** opinion has been issued. This means that controls to manage risks regarding the hosting of the pension system are largely absent:
- No contract is present for the hosting service provided by Redbridge, setting out the terms of the agreement.
- No service level agreement is present, clarifying the expected service to be provided by Redbridge.
- No assurances have been sought from Redbridge in relation to the business continuity and disaster recovery measures which safeguard the pension data.

Recommendations

2.8.3 The audit made thirteen recommendations. A management action plan has been agreed to address the areas for improvement identified by the audit. Subject to the implementation of the recommendations therein and compliance with the stated controls, it is the Chief Internal Auditor's judgement that there will be sufficient controls in place regarding the area being audited.

Recommendations
1. We recommend that any future options appraisal thoroughly critiques the hosting solutions being considered.
2. We recommend that as part of any future options appraisal a risk assessment is performed so that all the implications of an external hosting solution are fully understood.
3. We recommend that risks and mitigating controls associated with external hosting arrangements are periodically reviewed to ensure that the risks continue to be appropriately managed.
4. We recommend that in the future a hosting agreement is drawn up and signed, formalising the arrangement between the council and the host.
5. We recommend the responsibilities of both contractual parties are formalised before engaging in a hosting arrangement.
6. We recommend that the council seeks assurances of the host's control environment before engaging their services. The control environment should align with best practice standards.

7.	We recommend that the hosting agreement clarifies liability in the event of a data breach.
8.	We recommend that an indemnity clause is written into the contract with the host.
9.	We recommend that the hosting agreement sets out the physical and environmental standards that the external provider is expected to meet.
10.	We recommend that the service seeks assurances from the provider to ensure service continuity provisions are in place in the event of a disaster.
11.	We recommend that back-up expectations are clarified and the council approaches the developer and host to identify why the application fails when back-ups are unsuccessful.
12.	We recommend that a Service Level Agreement is developed to communicate service level expectations to the host.
13.	We recommend that financial penalties are tied to host performance. Serious performance failures should invoke financial penalties.
Management Response	All management actions are agreed. They will be taken account of when the new hosting contract is being procured.
Responsible Officer	Sarah Bryant, Head of Internal Shared Services Karen Balam, Transactional Manager Kevin Mulcahy, ICT Services Delivery Manager
Implementation Date	2 December 2014.

IMPLICATIONS AND RISKS

Financial implications and risks:

By maintaining an adequate audit service to serve the Council, management are supported in the effective identification and efficient management of risks. Failure to maximise the performance of the service may lead to losses caused by insufficient or ineffective controls or even failure to achieve objectives where risks are not mitigated. In addition recommendations may arise from any audit work undertaken and managers have the opportunity of commenting on these before they are finalised. In accepting audit recommendations, the managers are obligated to consider financial risks and costs associated with the implications of the recommendations. Managers are also required to identify implementation dates and then put in place appropriate actions to ensure these are achieved. Failure to either implement at all or meet the target date may have control implications, although these would be highlighted by any subsequent audit work.

Legal implications and risks:

There are no apparent legal implications or risks from noting the contents of the report

Human Resources implications and risks:

None arising directly from this report

Equalities implications and risks:

None arising directly from this report

BACKGROUND PAPERS

None