



AUDIT COMMITTEE

29 February 2012

Subject Heading:	Internal Audit Progress Report
Report Author and contact details:	Vanessa Bateman – Internal Audit & Corporate Risk Manager ext 3733
Policy context:	To inform the Committee of progress to deliver the approved audit plan in quarter three of 2011/12.
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 advises the Committee on the work undertaken by the internal audit team during the period 3rd October 2011 to 30th December 2011.

RECOMMENDATIONS

1. To note the contents of the report.

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

REPORT DETAIL

This progress report contains an update to the Committee regarding Internal Audit activity presented in seven sections.

Section 1 Background and Resources

Some information about the resources is included for information.

Section 2 Audit Work 3rd October to 30th December 2011

A summary of the work undertaken in quarter three is included in this section of the report.

Section 3 Management Summaries

Summaries of all final reports issued in the period.

Section 4 Schools Audit Work

A summary of schools final reports issued in the period.

Section 5 Key Performance Indicators

The actual performance against target for key indicators is included.

Section 6 Changes to the Approved Audit Plan

The changes made to the audit plan since the last meeting are detailed and explained in this section of the report.

Section 7 Outstanding Recommendations Summary Tables

The details regarding status, as at the end of December, of all outstanding recommendations are included within tables for information.

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. With regards Money Laundering criminal charges may result should employees not fulfil their personal responsibilities. Sanctions could also be imposed on the Council if it is considered not to be complying with legislation. There are no financial implications or risks arising directly from this report.

Legal implications and risks:

None arising directly from this 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.

Section 1 Background and Resources

- 1.1 The resources within the Audit team remains unchanged since the last meeting, however the new structure has now been implemented and all internal appointments into new roles are complete. There is one vacancy within the systems audit team and it is expected that this role will be filled in March. The Agency workers contract has been extended to the end of March to support the transition to the new structure and assist in the completion of the audit plan.
- 1.2 The forecast outturn for 2011/12 is currently within the allocated budget.

Section 2 Audit Work 3rd October 2011 to 30th December 2011.

- 2.1 At the end of December 63% of the audit plan had been delivered. This was against a target for the period of 63%.
- 2.2 At the end of December eight assignments had been completed and eighteen were in progress but had not reached the final report stage.
- 2.3 Schedule 1 details the work completed in quarter three. Details are listed in the table below and management summaries under Section 3 starting on the next page.

SCHEDULE 1: 2011/2012 – Systems Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Commercial Property	Substantial	0	2	0	2	2 (1)
Registrars	Substantial	0	1	0	1	2 (2)
Supply Chain Resilience	Substantial	0	2	0	2	2 (3)
Public Protection	Substantial	0	0	2	2	2 (4)
Jacobs Contract Follow Up	Limited	3	0	0	3	2 (5)
Disabled Facilities Grant	Substantial	0	2	0	2	2 (6)
Remote Access & Off Site Working	Substantial	0	6	1	7	2 (7)
Oracle Financials	Limited	0	24	0	24	2 (8)

- 2.4 Work in progress includes:
- Risk Based Systems Audits – Contracts & Procurement, i-expenses and Purchase Cards, Housing Benefits, Council Tax, Education Computer Centre, Contract Monitoring, Emergency Planning & Business Continuity, Creditors, Debtors, Payroll, Pensions, Key Worker Recruitment and Retention and Appointeeships and Receiverships.
 - School Audit – Ardleigh Green Junior, Elm Park Primary, La Salette RC Primary, Parklands Junior, The R.J. Mitchell Primary, Whybridge Infant and Corbets Tey Special School.
 - Substantive/Proactive Testing – Internal Shared Service Controls Stage 2, Agency Expenses, Crematorium (Grave Allocations & Record Keeping).
- 2.5 Internal Audit are also participating in Control Working Groups, alongside officer from Internal Shared Services and the Oracle Competency Centre, looking at the Payroll, Accounts Payable and Accounts Receivable to identify and report to management on the efficiency and effectiveness of the control environment.

Section 3 Management Summaries

Commercial Property	ref 3 (1)
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3.1 Background

3.1.1 Commercial properties are maintained by Local Authorities as investments. These properties are leased out, generating an income stream into the Council.

3.1.2 As at March 2011 Havering maintained a total of 211 commercial properties with a potential annual income of £2.5m if all properties were let.

3.1.3 Summary of Audit Findings

3.1.4 Completion reports produced by Legal Services to notify Internal Shared Service of new or amended accounts are inconsistent in the level and clarity of the information being provided.

3.1.5 There is a risk that errors go undetected given the absence of any controls to ensure that accounts and amendments are progressed in line with expectations.

3.1.6 Performance monitoring is undertaken on the number of vacant properties. Whilst the target 95% has not quite been met, no recommendations have been raised as the current economic climate will further impact on this.

3.1.7 Audit Opinion

3.1.8 As a result of this audit we have raised two medium priority recommendations relating to the need for:

- The way Internal Shared Services are instructed to set up / amend accounts should be reviewed to ensure instructions are clear and unmistakable (Medium); and
- Suitable checks should be made by Strategic Property Services to ensure leases / accounts have been correctly set up / amended and in a timely manner (Medium).

3.1.9 A **Substantial Assurance** audit opinion has been given as the audit has found that the system of control is generally in place and any recommendations being made are to enhance the control environment.

Registrars	ref 3 (2)
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3.2 Background

3.2.1 The registrars are based at Langtons House to provide services for the registration of Births, Deaths and Marriages; with a member of staff also located at Queen's Hospital to provide services primarily for the registration of Deaths. All registrars have been Local Authority employees since 31st March 2008.

3.2.2 The registrars have recently undergone a restructure. Currently there is a Registrations Manager, two Deputy Registration Managers (one Superintendant Registrar, one Registrar for Births, Deaths and Marriages). There are eight Registration and Ceremony Officers (6.34fte), one Admin Assistant, one Ceremonies and Citizenship Officer (0.8fte). There is also a Development and Promotions Manager. Income received by the service for 2010/11 totalled £543,438, with £49,962 received from the letting of Langtons Hall and rooms.

3.2.3 Summary of Audit Findings

3.2.4 Quarterly cash reconciliations performed by the Registration Manager were one month overdue at the time of the audit.

3.2.5 Audit Opinion

3.2.6 As a result of this audit one medium priority recommendations have been raised.

3.2.7 Recommendations relate to the need for quarterly cash reconciliations to be brought up to date (Medium).

3.2.8 **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.

Supply Chain Resilience	ref 3 (3)
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3.3 Background

- 3.3.1 The Procurement Framework was created to inform services embarking on entering into a contract. The framework sets out the correct legislative paths to follow when completing a tendering process.
- 3.3.2 As at May 2011 a total of 232 contracts were listed on the contracts register with an approximate value of £790m. The register contains all contracts whose total contract value exceeds £60k, although this used to be those exceeding £50k.
- 3.3.3 This audit focussed solely on the controls in place regarding supply chain resilience. The 2011/12 approved audit plan contains other work regarding contracts and procurement that aim to provide detailed assurance on other risk areas.
- 3.3.4 Previous audit work has highlighted that the system of internal control with regard contract procurement is heavily reliant on preventive measures i.e. procurement rules and procedures, guidance and training and support being available from a specialist team where requested. The lack of detective controls which would provide assurance regarding compliance within the organisation has been addressed by previous audit recommendations which have been accepted by management.
- 3.3.5 The Contract Procedure Rules stipulate that responsibility for ensuring compliance with the rules and procedures is the responsibility of the Corporate Management Team.
- 3.3.6 Although in the main risks regarding procurement of services do sit within the service area itself and risk rightly should be the responsibility of management; there are risks with corporate significance that could cause reputational damage to the organisation as a whole. (Also potential financial risk as aggrieved tenderers could challenge award of a contract or current suppliers could challenge as breach of contract if we are using a non approved supplier for goods or services that they have a contract for).
- 3.3.7 The corporate resources to support procurement have been moved into the Internal Shared Service. Operational Resources sit within the Shared Service Centre itself and the Strategic resource a Procurement Business Partner reports to the Head of Finance and Procurement. Prior to April 2011 these resources were located in the Business Development Unit that reported to the Assistant Director Transformation – Efficiency.

3.3.8 Summary of Audit Findings

- 3.3.9 Our testing for this audit was completed based on contracts that appear on the contract register, the sample therefore is recognised as being limited by the

fact as it is more likely to contain contracts where the procurement rules and procedures have been adhered to.

- 3.3.10 Previous audit work has highlighted the need for detective controls providing assurance on compliance, or information about levels of non compliance to be produced and reported. For example contracts where the procedures have not been fully adhered to or expenditure where there is no contract in place. Assurance will be provided regarding this risk area in a separate audit planned in 2011/12.
- 3.3.11 The introduction of a service level agreement between Internal Shared Services (ISS) and the rest of the Council to ensure all contracts in excess of £60k are procured by the OPT, will mitigate some levels of risk in terms of non compliance with procedures. This is still a preventive rather than detective control.
- 3.3.12 Establishing supplier resilience can most effectively be achieved through the completion of the relevant checks set out within procurement procedures because risk management has been built into the procedures themselves. Through discussions with a sample of contract monitoring officers we were able to gain assurance that risks around supply chain resilience and being locally mitigated.
- 3.3.13 It was noted as part of the audit that there is an absence of specific mention of risk management within contract monitoring guidance; it is felt that although procedures have been designed to manage risk there is limited input to equipping contract managers to truly understand the risks they face and need to manage. Without a sufficient understanding of risk, officers will be unable to incorporate risk into their contract monitoring processes.
- 3.3.14 It was further noted that the organisation relies on all contract monitoring officers to have a sufficient understanding of external factors such as the economic downturn to be able to appropriately adapt their risk management activity. As there are both strategic and operational procurement resources in the organisation it is felt these officers could assist contract monitoring officers by generally raising awareness or providing specific bulletins.
- 3.3.15 With increased understanding of risk management comes reduced bureaucratic and preventive controls within procedures which will also save the organisation time and money in the future. This issue is not unique to procurement and a CLT working group has been formed to look at how Risk Management can be more effectively used within the organisation.

3.3.16 Audit Opinion

3.3.17 As a result of this audit we have raised two medium priority recommendations.

3.3.18 Recommendations related to the need for:

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- To promote risk management in relation to contract monitoring (Medium); and
- For specialist resources to communicate emerging risk areas out to contract monitoring officers (Medium).

3.3.19 **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.

Public Protection	ref 3 (4)
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Management Summary

3.4 Background

3.4.1 The Council is required to issue and regulate licenses in accordance with the Licensing Act 2003 which came into force on the 24th November 2005. The act promotes four licensing objectives:

- Prevent crime and disorder;
- Ensure public safety;
- Prevention of public nuisance; and
- Protect children from harm.

3.4.2 Income for 2010/11, relating to the Licensing Act 2003, totalled £158,140.

3.4.3 Summary of Audit Findings

3.4.4 Transaction listings from Oracle 12 do not contain the required details, such as a license reference number, to facilitate an effective reconciliation.

3.4.5 Licensing Officers are allocated areas of the borough for which they are responsible. There is a reliance that Officers will notice any new premises opening which require a license but have yet to apply.

3.4.6 Information is not being obtained from Business Rates identifying change of ownership.

3.4.7 Management Information which is supplied to the Licensing Committee could contain additional information, including the total income or value of accounts in arrears.

3.4.8 Audit Opinion

3.4.9 As a result of this audit two low priority recommendations have been raised.

3.4.10 Recommendations relate to the need for:

- Information regarding change in ownership of licensed premises to be requested from Business Rates in order to aid Licensing Officers (Low); and
- Confirmation from Licensing Committee regarding information required (Low).

3.4.11 **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.

3.5 Background

3.5.1 LBH awarded two contracts to Jacobs UK Ltd in January 2008. The Architectural and Surveying Services (Property) contract is for ten years with an option to extend for a further five years. The Civil Engineering (Highways) contract is for five years with an option to extend for a further five years.

3.5.2 The value of the Architectural and Surveying (Property) contract could be in the region of £0.5 million depending on the scale of the Capital Programme. This is of course uncertain given the current economic conditions and funding availability.

3.5.3 Summary of Audit Findings

3.5.4 The current position is virtually unchanged from that audited in 2009.

3.5.5 Audit Opinion

3.5.6 As a result of this audit three high priority recommendations have been made.

3.5.7 Recommendations relate to the need for:

- An audit of the new working arrangements and control environment to be requested when the staffing restructure has been implemented and the monitoring unit is in place (High);
- Signed copies of the approved contracts and financial submissions for Architectural and Surveying (Property) and Civil Engineering (Highways) contracts to be supplied to the Head of Asset Management and the Head of Street Care respectively (High).
- The new system set up by CAMG to report monies charged to Capital Budgets which identify any works commissioned outside the Official system to be extended to include Revenue spend and to have both reports produced on a quarterly basis (High).

3.5.8 A **Limited Assurance** has been given as the audit has found that 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.

Disabled Facilities Grants	ref 3 (6)
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3.6 Background

- 3.6.1 Disabled Facilities Grants (DFG) are available from the Council for those residents who require physical adaptations to their home.
- 3.6.2 In 2009 / 10 the Council approved 100 DFG applications totalling just over £614k. A total of £778k was actually paid out in relation to grant funded work completing in that year from approvals in both 2009/10 and previously.
- 3.6.3 The number of DFG applications approved rose in 2010 / 11 to 147 with a total cost of £1m. Total grant expenditure was £960k in relation to approvals made either in 2009/10 or in earlier years.

3.6.4 Summary of Audit Findings

- 3.6.5 A review of twenty four cases found eight instances where the Adult Social Care (ASC) assessment documentation was missing the staff / client signature and or date of completion.
- 3.6.6 A list of LBH preferred contractors is available for service users to use. Whilst there is no requirement for service users to use these contractors, no checks are undertaken to verify the status of those contractors selected by grant recipients that do not appear on this list. As this risk is mitigated by the need for surveyor approval prior to any payments being made, no recommendation has been raised.
- 3.6.7 Client contributions were not reviewed as part of this audit as this area proves no risk to the Authority given that client contributions are a separate arrangement between the service user and the chosen contractor.
- 3.6.8 Limited controls have historically been in place to ensure that there are sufficient funds available throughout the year. A process for apportioning funds by month has been introduced for 2011/12.
- 3.6.9 Limited management information has been available in the absence of a sophisticated IT system for recording case information. A new APP system will allow more effective information to be extracted once a sufficient level of data has been entered.
- 3.6.10 Local performance indicators to monitor the effectiveness of administering this process have not been established between the two departments.
- 3.6.11 No benchmarking exercises had been undertaken at the time of the audit however that work has now commenced.

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3.6.12 The audit had aimed to consider the timeliness of this process. The absence of dates on key Adult Social Care documentation, the ability for service users to take up to 18 months to complete their side of the process and the lack of localised performance indicators mean that the ability to assess timeliness is limited.

3.6.13 Audit Opinion

3.6.14 As a result of this audit two medium priority recommendations have been raised.

3.6.15 Recommendations raised relate to the need for:

- full and consistent completion of key Adult Social Care documentation to be monitored through the management approval process (Medium); and
- the development of local performance standards between departments to be monitored through regular joint meetings (Medium).

3.6.16 **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.

Remote Access & Off Site Working	ref 3 (7)
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3.7 Background

3.7.1 The 2011/2012 Internal Audit Plan includes an audit of Remote Access to enable Council users to remotely access Council systems and data and to support increased flexible working.

3.7.2 Having use a Citrix Secure Gateway together with an RSA authentication token to allow users to securely log into their Citrix account from any Internet connected PC. Staff can use LBH provided laptops or their own IT equipment, although LBH does not provide support for PC hardware and software that is not owned by the Council.

3.7.3 The current IT infrastructure at the Council is currently being subject to a refresh, through the Transformation Programme. Specific programme objectives relating to remote access provision include the replacement of the Novell and Citrix environments with Microsoft technologies and the replacement of RSA tokens by the Universal Access gateway to provide the mechanism for authentication of remote access to Council network resources.

3.7.4 Summary of Audit Findings

3.7.5 When users collect a laptop or portable device, they are not required to confirm that they have read, understood and agreed to the terms and conditions of use when using the device away from the office.

3.7.6 While a Business Systems Risk Register is in place, an IT risk assessment for home and offsite working that would link into this has not been performed.

3.7.7 Monitoring of remote access connections is not being carried out and the Council does not currently have an Intrusion Detection Systems (IDS) in place over the corporate network to identify any suspicious activities.

A penetration test was carried out by Global Secure Systems in February 2011 but not all the recommendations (some of which were considered high risk) have been implemented and there is currently no implementation plan to implement the recommendations.

3.7.8 There is currently no process in place for implementing system patches on all the Council's operating system software. Audit testing of a laptop identified that the last patch applied was over two years old. Patches are now being applied to all new PCs that are being issued to staff.

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3.7.9 An IT Asset Register is in place for Laptops and Blackberry devices, but it does not give any detail of what the asset is (Make, model number, warranty, and date of purchase).

3.7.10 The ICT access e-form used to allow remote access capability does not include a tick box for the current Citrix Secure Gateway.

3.7.11 Audit Opinion

3.7.12 As a result of this audit we have raised 6 medium priority and 1 low priority recommendations.

3.7.13 Recommendations related to the need for:

- Users to confirm they have read understood and agreed to the Terms and Conditions of use when receiving a laptop. (Medium Priority)
- That a remote working risk assessment is carried out and linked to the ICT and Corporate Risk Registers. (Medium Priority)
- The remote access logs should be monitored and Intrusion Detection Software implemented to detect all suspicious activity on the network. (Medium Priority)
- Recommendations from the recent Penetration Test should be implemented and monitored. (Medium Priority)
- An effective patch management process should be in place for all laptops. (Medium Priority)
- A detailed Asset Register should be developed for all portable and remote items used within the Council. (Medium Priority)
- Amendment of the ICT access e-form to include the facility to approve access to the Citrix Secure Gateway. (Low Priority)

3.7.14 A **Substantial** audit opinion has been given as the audit has found that whilst there is basically a sound system of control weaknesses in the system of internal control may put some of the Council's objectives at risk.

Oracle Financials	Ref 3 (8)
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3.8 Background

3.8.1 The upgrade to Oracle 12 from Oracle 11i was a complete re-implementation of the Council's existing Oracle Financials application, as additional functionality was added in terms of the HR and Payroll functionality and the expansion of the finance modules to include the following modules for financial management within the Council:

- General Ledger
- Cash Management / Fixed Assets
- iSupplier
- iExpenses
- Human Resources
- Accounts Receivable
- Accounts Payable
- Payments
- Payroll
- Business Intelligence
- Procurement/iProcurement
- HR Self Service

3.8.2 This Oracle upgrade was delivered as part of the Internal Shared Service project with technical support for the implementation provided by CapGemini. Phase 1 of the project went live in April 2011. Phase 2 of the project was due for implementation in September/October 2011, but it was noted that there have been some unresolved issues following Phase 1 that are of particular significance to the finance modules. As such, Phase 2 for the finance modules has currently been put on hold and an action plan established for the resolution of the various elements of the project.

3.8.3 The implementation of Oracle 12 included a large overhaul of the approach taken to HR/Payroll, Finance and Procurement and included a restructure, review of processes and the establishment of a Shared Service Centre within the organisation designed to achieve substantial savings. As part of the implementation, the Council adopted a largely unmodified version of Oracle without large scale changes to Council processes.

3.8.4 Whilst a number of issues have been identified, it is recognised that this implementation required substantial change. A resource is being directed to resolving issues and to the implementation of Phase 2 of the project.

2.8.5 Summary of Audit Findings

2.8.6 A summary of the main Audit Findings are as follows:

2.8.7 Application Governance

- There is a lack of detail within the Project Initiation Document (PID) in relation to key individuals who would need to be engaged in the programme, and there is no evidence of the PID having been approved following the commencement of the project.

2.8.8 System Security

- Review of the user listing identified a number of accounts with Administrator access, which appeared to be non-user specific (generic). These accounts have not been subject to review since the implementation.
- The Oracle application has adequate password controls in line with the Business Systems Policy, including a password change interval of sixty-days. However, it was identified that this had not been consistently applied in all cases, with some users not required to change passwords.
- Users are logged out of the application following five unsuccessful access attempts, although no monitoring is currently undertaken of failed login attempts to the system.
- There are no documented procedures for the creation, amendment or removal of users on the application or process flows detailing the authorisation process.
- A spreadsheet is maintained of roles, responsibilities and descriptions for access to the Oracle application, but this was found to be incomplete with a number of roles and responsibilities not yet having been clearly defined.
- Testing identified access amendments which had not been supported by proof of authorisation for access permissions on the Oracle system.
- Audit testing could not obtain evidence of the process for granting user access having been reviewed following the implementation of Oracle R12, and the current eforms do not always provide sufficient detail to set a user up on the Oracle system.
- The report of users and their roles requires substantial formatting to convert the information into to a usable report to provide useful management information detailing users and their access levels.
- The majority of users were created during the migration process and therefore original authorisation for the access has not been retained.
- It is not always clear whether access was appropriate based on the users' job role, which could mean that users' access is not in line with their job role and these could be excessive. Other individuals were identified with high-level access privileges, including a Transactional Team Lead, who is currently on long-term sick leave, who has processes associated which prevent the account from being suspended.
- The Oracle system provides a number of auditing features to help ensure that actions are the system can be traced back to users. However, these features which include auditing at a user activity and database row level have not yet been fully investigated or applied.

2.8.9 Interfaces and Data Flow

- There is a reliance on a member of the Oracle Competency Centre who has specialist technical knowledge of the interfaces, however, this knowledge is not shared amongst the team and could cause problems for system support in the event of the unavailability of the member of staff.

- There is an absence of documentation from a business perspective in relation to interfaces and expected operation and reconciliation processes for these interfaces.
- The Accounts Payable Galaxy Library Payments to Accounts Payable interface involves a manual process of copying and pasting text from an email from the library, which is then saved in to a .txt file.
- All Accounts Payable Interfaces were identified as being reconciled; however, an inconsistent approach is being taken to recording this, with no recording of the reconciliation process from the Swift system.
- There are known problems reconciling the Transport Hire and Transport Fuel interfaces, however, this problem has not been reported to the Oracle Competency Centre.
- There are delays in the processing of Accounts Receivable interfaces for the Swift interface.

2.8.10 Data Input Controls

- Accounts Payable and Payroll do not have detailed procedures covering core business processes along with systems input requirements on the Oracle system.
- We identified a number of screens and fields in use on the system which are not required for day to day business processes.
- There are no secondary checks of bank details, which have been input, and it was advised that on occasions, this has led to errors in the entry of bank account details. There is also no post code look up functionality to ensure the address is valid.

2.8.11 Output Reporting

- There is an absence of knowledge of the reports that should be produced from the payroll operation as well as to whom these reports should be distributed.
- Oracle Business Intelligence Reporting (BI) has not yet been implemented.

2.8.12 Change Control

- Whilst change control processes follow a structured process, the process for testing changes and communications with the service and business acceptance operate in an informal way.
- There is a well-controlled list of individuals with access to approve RFC's, however, there are a large number of CapGemini employees with access to the portal and the last review date of the list could not be confirmed.

2.8.14 Disaster Recovery

- Disaster recovery test dates have not yet been agreed and scheduled with Oracle, to confirm the ability to recover the system in line with service expectations set out in Departmental Business Continuity Plans.

2.8.14 Audit Opinion

2.8.15 As a result of this audit we have raised 24 medium priority recommendations.

2.8.16 Recommendations raised relate to the need for:

- Project documentation to be formalised and approved prior to progression of the project into the subsequent stages of development (All recommendations are Medium Priority);
- The review of non-user accounts to remove generic accounts on the system;
- Review of user accounts to ensure that password expiry settings have been consistently applied across all users;
- The monitoring of failed and unsuccessful login attempts on a periodic basis;
- Development of documented procedures for the user management processes including user creation, amendment and removal;
- Review of the user population to ensure that roles and privileges have been correctly assigned and are in line with job roles;
- The need to review the audit and monitoring capabilities within the system;
- The need for sharing of knowledge in relation to interfaces to ensure that there is not over reliance on an individual member of staff;
- The development of documented procedures and reconciliation processes for reconciling interfaces on the system;
- The need to review the interface with the Galaxy Libraries application to identify if this can be automated to reduce the time taken to reconcile the interface;
- Consistency in reconciliation processes to ensure that Social Services interfaces are monitored and reconciled;
- Investigate reasons for the inability to reconcile the Transfuel and Translive interfaces and ensure that this is reported to the Oracle Competency Centre, where issues are identified;
- Review of the Accounts Receivable Swift interfaces to establish reasons for delays in the processing of files;
- The development of Payroll and Accounts Payable procedures;
- Review of data input screen to establish whether superfluous fields can be removed and fields made mandatory where required;
- Secondary checks of Accounts Payable 'Batch Direct payments' to verify the integrity of the data input;
- The need for an address validation solution including post code look up functionality;

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- Investigation of the payroll manual formatting spreadsheet import process;
- Secondary checks of the Accounts Payable bank details input to verify the integrity of the data input to the system;
- Investigate the reports which should be produced from the payroll that has been processed and document the system;
- Resolve the current issues with Oracle Business Intelligence (BI) Reporting;
- Formalising change control processes for testing changes and gaining user engagement for the testing and implementation of the system;
- Review users with access to the 'My Oracle Support' portal; and
- Develop a schedule for disaster recovery and backup test restore exercises.

2.8.17 **A Limited Assurance** opinion has been given as there are weaknesses in the system of control as such to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.

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Section 4 Schools Audit Work

Three Schools audits were finalised by the end of December. Results of the audits are included in Schedule 2 below.

Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

Schedule 2: 2011/12 – School Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
St Patrick's Catholic Primary School	Substantial	1	4	5	10	N/A
Suttons Primary School	Substantial	1	5	2	8	N/A
Rainham Village Primary School	Substantial	1	6	2	9	N/A

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Section 5 – Key Performance Indicators

The tables below detail the profiled targets for the year and the performance to date at the end of December and the targets for the rest of the financial year.

Audit Plan Delivered (%)										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	17	23	31	40	50	57	63			
Cumulative Target	13	20	27	35	45	55	63	74	85	95

At the end of December 2011 the team is on target.

KPI 01 - Briefs issued										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	12	12	19	20	31	38	47			
Cumulative Target	12	17	22	29	36	43	48	52	56	56

Due to changes in the audit plan throughout the year it is now estimated that the team will undertake 56 audit assignments. At the end of December the team were one brief behind target. Targets for the rest of the year have been adjusted accordingly.

KPI 02 – Draft Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	4	9	9	11	15	23	23				
Cumulative Target	5	8	10	14	19	26	35	37	45	52	56

At the end of December the team were 12 draft reports behind target. This is due to the on-going significant allocation of audit resources to Internal Shared Services which is not a traditional audit work, and has fewer deliverables, but is required to provide the assurances required by management.

KPI 03 – Final Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	2	0	4	8	9	28	22				
Cumulative Target	3	5	7	10	16	23	30	34	42	47	56

At the end of December the team were eight final reports behind target.

Section 6 – Changes to the Approved 2011/12 Audit Plan

In March 2011 the Audit Committee approved an Annual Audit Plan for the 2011/12 financial year totalling 1466 days.

The table below provides a summary of the audits removed from, and added to, the 2011/12 approved audit plan and the reason for the change. It also reflects where there has been a change in budget.

The impact on the total days in the plan has been managed by adjusting the contingency budget and other budgets for the year. The totalled planned days remain at 1466. Although there has been an unfilled vacancy in the team for part of the financial year it is hoped that this will not impact on delivery of the whole audit plan as efficiencies in how resources are utilised have been achieved.

Audit Title	Days	Revised Days	Directorate	Reason
Outcomes of Transformation Programme	20	0	Corporate	Transformation Programme still ongoing, other assurances available to management.
i-expenses Expenses	10	20	Corporate	Sample of testing increased
Agency expenses	0	5	Corporate	Added to 2011/12 plan

Section 7 – Outstanding Recommendations Summary Tables

Categorisation of recommendations

High: Fundamental control requirement needing implementation as soon as possible
 Medium: Important Control that should be implemented
 Low: Pertaining to Best Practice

Outstanding Internal Audit Recommendations – 2008/09

Review in 2008/09	HoS Responsible	Outstanding			Position as at end December 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
E Payments	Business Systems		1		1		
Commissioning of Works (Jacobs)	Asset Management	3			3		
IT Security & Data Management	Business Systems	2			2		
Telecommunications	Business Systems	1			1		
Cemeteries & Crematorium	Housing & Public Protection		1		1		
Total		6	2		8	0	0

Outstanding Internal Audit Recommendations – 2009/10

Review in 2009/10	HoS Responsible	Outstanding			Position as at end December 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Integrated Youth Services	Children's and Young people		1	1	2		
Climate Change	Culture & Community		1		1		
Government Connect GCSx	Business Systems	2	2		4		
Commensura	Shared Service		1		1		
Contract Completions	Asset Management			2	2		
Integrated Children's Systems	Children's and Young People		2		2		
	Total	2	7	3	12	0	0

Outstanding Internal Audit Recommendations – 2010/11

Review in 2010/11	HoS Responsible	Outstanding			Position as at end December 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Tranman	Asset Management	3	1		4		
Service Desk	Business Systems		2	1	3		
Corporate Support Team	Asset Management		1	1	2		
Section 106	Development & Building Control		1		1		
IT Change Management	Business Systems		1		1		
Payroll	Shared Services			1	1		
Pensions	Shared Services			1	1		
Child Protection	Children & Young People's Services		2		2		
IT Security	Business Systems		1		1		
Total		3	9	4	16	0	0

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Outstanding Internal Audit Recommendations – 2011/12

Review in 2011/12	HoS Responsible	Outstanding			Position as at end December 11		
		High	Medium	Low	In Progress	Not Started	Position Unknown
Complaints	Customer Services	1	1		2		
	Total	1	1		2	0	0