



Havering
LONDON BOROUGH

AUDIT COMMITTEE

24 April 2013

Subject Heading:

Internal Audit Progress Report

Report Author and contact details:

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Policy context:

To inform the Committee of progress to
deliver the approved audit plan in quarter
four of 2012/13.

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 2nd January 2013 to 28th March 2013.

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 resources is included for information.

Section 2 Audit Work 2nd January to 28th March 2013

A summary of the work undertaken in quarter four 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 Audit Recommendations

The details regarding status, as at the end of March, 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.

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 During quarter four all posts in the establishment have had a permanent post holder in place.
- 1.2 At the end of March income of £55,828 had been achieved compared to a £50k income target relating to the Audit & Risk team.
- 1.3 The outturn position for 2012/13 is within allocated budget.

Section 2 Audit Work 2nd January to 28th March 2013

- 2.1 At the end of March 94% of the audit plan had been delivered. This was against a target for the period of 99%.
- 2.2 At the end of March 36 assignments had been completed and 15 were in progress but had not reached the final report stage.
- 2.3 During the quarter, at the request of the Audit Committee, a follow up review was undertaken on the Children's Centres. The findings of this review were reported at the February Audit Committee meeting.
- 2.4 At the request of the Chief Executive work has been completed on compliance with expectations regarding Equality Impact Assessments.
- 2.5 A review was also undertaken on Sickness Compliance at the request of the Operational Manager in Internal Shared Services.
- 2.6 Schedule 1 details the final reports issued in quarter four. Details are listed in the table below and management summaries under Section 3.

2.7 SCHEDULE 1: 2012/2013 – Systems Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Looked After Children – PI & Data Quality	Substantial	0	1	0	1	3 (1)
Traffic & Parking Control: Cancellation of PCN's	Substantial	1	5	1	7	3 (2)
Oracle eBusiness	Limited	0	11	3	14	3 (3)
Info Governance – Electronic Docs & Record Management	Substantial	0	7	0	7	3 (4)
Network Permissions	Limited	0	7	2	9	3 (5)
Main Accounting	Limited	0	1	0	1	3 (6)
i-Expenses	Limited	2	1	0	3	3 (7)

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Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
i-Recruitment	Limited	3	2	0	5	3 (8)
i-Procurement	Limited	0	2	1	3	3 (9)
Council Tax	Substantial	0	3	2	6	3 (10)
Payroll	Limited	0	5	0	5	3 (11)
Pensions	Substantial	0	2	0	2	3 (12)
Joint Tender – Highways & Street Lighting	Substantial	0	2	0	2	3 (13)
Transport	Substantial	1	4	2	7	3 (14)

2.8 Work in progress includes:

- Risk Based Systems Audits – Contracts & Procurement, Debt Management, Information Governance – Service Area Control & Compliance, Information Governance – Provider Compliance, Housing Benefits, Budgetary Control incl. CP, ISS Performance Management, Accounts Payable, Accounts Receivable, Looked After Children – Placements, Tenancy Management, Modern Governance, Release of Software, Operating System and Mayrise.
- School Audits – Dame Tipping CE Primary, Rise Park Infant, Rise Park Junior, Chafford and Sanders Draper.

Section 3 Management Summaries

Looked After Children – Performance Information & Data Quality	Ref 3 (1)
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3.1 Background

3.1.1 A recent Ofsted Inspection of safeguarding and looked after children services (October 2011) resulted in the achievement of an 'adequate' score for the services for looked after children. Areas for improvement included ensuring that 'performance management information is used to better effect to inform an understanding of trends and impact on service delivery to support timely corrective action'. Furthermore the Service Manager raised some issues surrounding the quality of information that is fed into local performance indicators.

3.1.2 Summary of Audit Findings

3.1.3 Data regarding placements moves are collected and reported in line with Department of Education (DofE) requirements. It has been highlighted during this review that there could be some benefit to the Service Managers by reporting additional information locally that deviates from the DofE prescription. Discussions with the key officers have indicated that where there are amendments to data collected or additional information required that would be useful to the service, arrangements can be put in place to ensure these issues are picked up. Therefore, as this was established with each of the officers involved during the audit a specific recommendation for this finding has not been raised.

3.1.4 A weakness in the control environment was identified with regard to non-completion of the system by social workers for some key data. This is currently picked up by the Research and Development Team directly with the social workers in order to ensure completeness of data but is not reported separately to the Service Manager. Due to the imminent implementation of the new system it is expected that issues such as non-completion of the system will be picked up by the Service Manager directly and therefore a recommendation specific to this may not be useful at this point in time.

3.1.5 A monthly report is produced by the Research and Development Team for Financial and Activity data. The audit was unable to establish where the benefit lies in collecting and reporting all of this data outside of this team.

3.1.6 Audit Opinion

3.1.7 As a result of this audit one medium priority recommendation has been raised relating to the need for:

- A review to take place of the Financial and Activity Data that is collected and reported on a monthly basis to establish its value and who it benefits.

3.1.8 **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

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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.

Traffic & Parking Control: Cancellation of Penalty Charge Notices	Ref 3 (2)
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3.2 Background

3.2.1 The Challenge Team is a section of Traffic & Parking Control. At the time of the audit the team consisted of four Challenge Officers, a Senior Challenge Officer and the Challenge Supervisor. In June 2011 three Challenge posts moved to Customer Services as part of transformation. Their ability to cancel PCNs was revoked in January 2012.

3.2.2 In 2011/2012 a total of 47,001 PCNs were issued. During the same financial year, Penalty Charge Notice income was £2,157,000. There were 7,663 PCN's cancelled as a result of an informal or formal representation with an estimated value of £314,183. (This value is based on an average settlement rate of £41 per Penalty charge Notice)

3.2.3 From the start of this financial year to the beginning of August, a total of 15,729 PCNs have been issued. At 24th September 2012 the Period Five income for PCN's was £966,686. Cancellations total 1397 with an estimated value of £57,277. (This value is based on an average settlement rate of £41 per Penalty Charge Notice).

3.2.4 Summary of Audit Findings

3.2.5 With the exception of the write off process there is no regular management spot check carried out on PCN cancellations.

3.2.6 The Challenge team communicated that they experience a lack of understanding amongst staff, management and members with regards corporate policies in this area however there was no audit trail to substantiate this and no recent reminders had been sent to reinforce the corporate stance.

3.2.7 There are no checks carried out to ensure that the level of access granted for staff is appropriate and checks are not carried out to ensure access has been disabled when a member of staff leaves the team.

3.2.8 There is no password change prompt on Chipside when new users of the system first log in.

3.2.9 Audit Opinion

3.2.10 As a result of this audit one high, five medium and one low priority recommendation have been raised.

3.2.11 Recommendations relate to:

- Regular management spot checks on cancelled PCN's (*High Priority*);
- The Vehicle PCN Procedure document to be reviewed and re-circulated to management of staff that drive LBH vehicles (*Medium Priority*);

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- Management and staff being reminded of the Guidance on the Reimbursement of Employee Expenses especially that it is the responsibility of staff on Council business to ensure that their car is safely and appropriately parked (*Medium Priority*);
- A comprehensive record being maintained detailing cases where the cancellation of PCN's has tried to be influenced outside of the correct challenge process. Details should then be reported to management or the Council Monitoring Officer for action (*Medium Priority*);
- Guidance on the appeals process to be reiterated to members (*Medium Priority*) ;
- Checks to be undertaken on a regular basis to ensure that the level of access to the Chipside system is appropriate (*Low Priority*); and
- A password prompt on login to change the standard password issued for all new users of Chipside (*Medium Priority*).

3.2.12 A **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.

3.3 Background

- 3.3.1 In 2011, the Council implemented an integrated Oracle on Demand system to replace existing legacy applications and to centralise and streamline the Council's business processes. Initially this was focused on core financials, however, the application has been further developed to support recruitment, HR and procurement processes. The application is managed by the Council's Internal Shared Services team supported by Business Systems. The Financials system is hosted and supported by the system supplier, Oracle.
- 3.3.2 Internal audit completed an initial audit on the IT processes and administration over the core financial processes (Accounts Receivable, Accounts Payable and Payroll) in September 2011. The report made 24 recommendations and provided limited assurance. The focus of this audit was on the controls that the system has in place over the iExpense, iRecruitment and iProcurement systems.
- 3.3.3 The Oracle application has been developed to enable and promote employee self-service, whilst at the same time providing a central system where activity can be subject to appropriate management review. The iExpenses module allows employees to submit expense claims, which are reviewed and approved by the appropriate line manager. Authorised users are able to raise purchase orders through the iProcurement module, which are then reviewed and authorised by the appropriate budget holder based on existing Council staffing hierarchies. The Oracle system provides additional tools for managers and budget holders to review and manage their staff and budgets.
- 3.3.4 The implementation of the iRecruitment module has resulted in the recruitment process from advertising the vacancy to hiring the successful candidate being completed through the Oracle system, providing a layer of transparency to the hiring process and maintaining a record of the actions taken by the Hiring Manager and the Council's HR staff.
- 3.3.5 Through the implementation of Employee Self Service, Council employees are given access to the Oracle Financials system and there are approximately 2,500 internal users. External job applicants are granted restricted access to the iRecruitment module to allow them to apply for job vacancies at the Council and upload documentation.

3.3.6 Summary of Audit Findings

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

Application Governance

- The ownership of the Oracle Financials system and the responsibilities of the owner and the key stakeholders have not been formally defined including the responsible officers for the various system modules.
- Whilst a review of the licensing arrangements has been undertaken as part of the 'One Oracle' project currently being undertaken by the Council, the final details of the licensing arrangements have not been completed.

System Security

- Review of the current user list identified that there are a number of generic accounts that have been setup with Administrator access to the Oracle system. A number of these accounts have been recorded, however their use and necessity has not been documented.
- Line managers and budget holders are able to approve expense or purchase claims by responding to a workflow email generated by Oracle, which allows the user to approve or reject a claim without logging onto the Oracle system.
- The audit trail for the Oracle system has been restricted and does not record adequate information to identify and investigate amendments made to the data held within the system.

Data Input

- The iExpenses module of the Oracle system has not been configured to validate employee expense claims based on the employee's expense allowances, which are recorded within the Oracle system.
- When processing an expenses claim that includes mileage the iExpenses module requires that the user input 'additional data', which includes: the odometer reading for the journey; and the engine size of the car used. There are limited field validation controls enabled to confirm that the data input by the user is accurate.
- The external facing iRecruitment module has not been configured with adequate field validation controls to confirm that the data provided by the external applicant is accurate and complete before it is processed.

Data Output

- Internal Shared Services have not determined the needs and expectations of the reporting to be made available for the iRecruitment module of the Financials system. Accordingly, reporting has not been fully configured for the iRecruitment module.

Change Control

- The Joint Change Management Policy in place between the Council and the London Borough of Newham has a schedule date of review set as August 2012; however, there is no record of this policy review having taken place.

System Resilience and Recovery

- The Council has not received confirmation from Oracle that the hosting and support arrangements for the Oracle system are adequate and in line with the Council's expectations. Furthermore, Oracle does not provide the Council with information related to the testing of its backup and disaster recovery procedures.
- The actions to be taken by the users of the Financials system in order to continue to provide the Council's core services in the event of an incident have not been included within a formally defined Business Continuity Plan.

Support Arrangements

- The existing Service Level Arrangement (SLA) in place between the Council and Oracle does not include the response and resolution times for service requests beyond a Severity one, Priority one request, nor does it include the procedure for escalating calls within Oracle.

3.3.8 Audit Opinion

3.3.9 As a result of this audit we have raised 11 medium priority and 3 low priority recommendations.

3.3.10 Recommendations related to the need for:

- The system ownership of the Oracle system should be formally assigned and the responsibilities of the system owner and the key stakeholders defined. *(Medium Priority)*
- Oracle should be required to provide the Council with assurance that the system has been appropriately licensed for Council usage. *(Medium Priority)*
- Generic supplier accounts should be reviewed and, where necessary, their access to the Oracle Financials system should be revoked. *(Medium Priority)*
- The Council's Internal Shared Services should review the email notifications received by budget holders and line managers so that expense and purchase claims are reviewed before being approved. *(Medium Priority)*
- The configuration of the audit trail should be reviewed so that it records sufficient information to allow the system administrator to review user activity and changes made to master data. *(Medium Priority)*
- The iExpenses module should be configured to reject expense claims that are not in line with the user's approved allowances. *(Medium Priority)*
- Field validation controls should be configured for the iExpenses and iRecruitment modules to prevent users from entering inaccurate and incomplete information when submitting an expense claim or job application. *(Medium Priority)*
- Reporting should be configured for the iRecruitment module and communicated to all users. *(Medium Priority)*

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- The Joint Change Management policy should be formally reviewed. *(Low Priority)*
- Oracle should be required to provide assurance that there are adequate back up and disaster recovery procedures in place for the Oracle system, which are tested on a periodic basis. *(Medium Priority)*
- A Business Continuity Plan should be formally defined, in line with the existing disaster recovery plans, which outline how the Council will continue to provide services in the event of an emergency or unavailability of the Oracle system. *(Medium Priority)*
- The SLA in place between the Council and Oracle should be amended to include the response and resolution times for all priority and severity levels. *(Medium Priority)*
- A hyperlink on the external iRecruitment site should be fixed so it links to the Council's online Privacy Statement. *(Low Priority)*
- The Oracle system should be configured to alert users when they have exceeded the permitted number of logon attempts and have had their account locked. *(Low Priority)*

3.3.11 A **Limited** 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.

Information Governance – Electronic Docs & Record Management	Ref 3 (4)
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3.4 Background

3.4.1 The use of EDM systems allows the Council to provide its Service areas with an appropriate means of storing documents electronically, which reduces the need to keep paper records and can be managed centrally.

3.4.2 The Council has deployed: Northgate Information@Work, which is used by the Council's Revenues and Benefits department, Northgate ESCR, which is used by the Council's Adult Social Care and has been integrated with the Adult Integrated Solutions application within Adult Social care; and Civica W2, which is used across the Council's Services.

3.4.3 Through the implementation of the three EDM systems, there are approximately fifteen hundred users active with access to one of the three systems across the Council. The EDM systems are managed and administered by the Council's Business Systems. Within the Council's Business Systems, the Technical Leader GIS/LLPG/EDM/MDM is responsible for the management and development of the Council's EDM systems. On a day to day basis, the Technical Analyst GIS/LLPG/EDM/MDM acts as the system administrator for the Council's EDM systems, which includes managing user accounts and providing support to the Service areas. The Northgate ESCR system is hosted at the Council's Data Centre, whilst the Information@Work and Civica W2 systems are hosted externally as part of the Council's partnership with ACS/Xerox.

3.4.4 Summary of Audit Findings

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

Document Management Strategy

- The Council does not have a formally defined Electronic Document Management Strategy in place, which includes the procurement, use and management of Electronic Document Management systems within the Organisation.

Corporate Policies and Procedures

- Corporate policies and procedures for the use of Electronic Document Management systems across the Council have not been formally defined, nor have the corporate standards for document image quality been established.

Document Retention

- Review of the Council's Document Retention and Guidelines policy, which is available to staff through the corporate intranet, identified that the policy has not been reviewed since the date of issue and that it references documents, organisations and retention standards that are

not relevant to the Council. Furthermore, there is no adequate corporate framework in place for Council Services to implement document retention procedures that are specific to their Service area.

System Security

- Our audit of the current user lists for the Information@Work, ESCR and Civica W2 EDM systems indicated that there are a number of generic accounts that have been setup with access to the systems. These accounts have not been reviewed to identify whether they serve a necessary business purpose.
- The ESCR and Civica W2 systems have not been configured to enforce logical access controls in line with the Council's Business Systems Policy. Furthermore, the systems have not been configured to record failed login attempts to allow the system administrator to review access attempts.
- There is no procedure in place to notify the system administrator for the Council's EDM Systems of users who no longer require access. Furthermore, the system administrator is not included in the distribution of the monthly leavers report from HR.

Disaster Recovery

- Our audit of the system recovery arrangements for the Council's Data Centre indicated that these arrangements have not been reviewed since January 2010.
- The Council has not received confirmation from ACS/Xerox that there are adequate system recovery arrangements in place to recover the servers that are used to host the Council's Electronic Document Management Systems in the event of a business continuity incident.

Workflow Control

- There is no requirement to map, define and authorise the document workflows for the Electronic Document Management systems during the procurement and implementation process.

Support Arrangements

- The Suppliers of the Council's EDM systems, Northgate for Information@Work and ERSC and Civica for Civica W2, are not required to provide the Council with information relating to their performance against the levels defined within the respective Service Level Arrangements.

3.4.6 Audit Opinion

3.4.7 As a result of this audit we have raised 7 medium priority recommendations.

3.4.8 Recommendations related to the need for:

- A formally defined Strategy to be put in place for the procurement, implementation, management and use of Electronic Document Management systems across the Council. *(Medium Priority)*
- The Council's Document Retention and Guidelines policy should be reviewed and amended to provide a framework for document retention that is compliant with the Council's statutory and regulatory obligations. *(Medium Priority)*
- The Council's current Electronic Document Management systems should be configured to enforce strong user password controls, which are in line with the Council's Business Systems policy. *(Medium Priority)*
- Generic user accounts should be reviewed and, where necessary, their access to the Electronic Document Management systems should be revoked. *(Medium Priority)*
- A procedure to be established to review user access to the Council's Electronic Document Management systems on a periodic basis to identify and remove user accounts that no longer require access. *(Medium Priority)*
- ACS/Xerox should be required to provide assurance that there are adequate system recovery arrangements in place for the recovery of the Council's Electronic Document Management systems in the event of a business continuity incident. *(Medium Priority)*
- The suppliers of the Information@Work, ESCR and Civica W2 systems should be required to provide information relating to their support performance against the agreed target levels within the Service Level Arrangements. *(Medium Priority)*

3.4.9 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.

Network Permissions	Ref 3 (5)
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3.5 Background

3.5.1 This audit assesses the logical controls in place over access to Havering Council's network resources. This is a wide ranging area; consequently, the audit scope has attempted to sufficiently balance both the breadth and depth of the audit coverage, giving an overall assessment of the control environment that surrounds how Havering Council controls access to its network resources.

3.5.2 Summary of Audit Findings

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

Suspension of User Accounts and Access

- The performance of monthly reconciliations between Active Directory and employment records to identify accounts that should be suspended leaves a significant period of exposure for users to exploit ongoing access after the termination of their employment contract.
- Automatic purging (deletion) of accounts after six weeks of inactivity may actually be counterproductive – this is likely to flag legitimate accounts for deletion.
- 111 cases were identified where individuals that had left the council still had functional Active Directory permissions.
- The current system allows for manual exceptions to be made for suspension of access (such as for maternity and long term illness). This is likely to compromise the access management process as these accumulate and become difficult to monitor.
- 176 redundant user accounts were identified – these accounts had not been accessed in 360 days.

Logical Protection – Utilisation of an Appropriate Access Model

- As task groups have not been aggregated into role groups, there is a risk that at the user creation stage wrong task groups may be selected. This risk increases as access group descriptions are not uniform in the information they provide or are sometimes left incomplete.
- Permission group names varied in terms of the information they conveyed (e.g. not disclosing the associated access permission) which may lead to improper group allocation.
- Inappropriate file folder permissions were identified. Task group permissions were identified which give users excessive delete abilities over folder hierarchies.

Management of Changes to User Access

- There is no formalised process for managing user access changes. Evidence was provided which showed that users retained access to resources when the scope of their role no longer included a business case for this access.

Administrative Controls

- 46 accounts were identified, which had administrative privilege but were not flagged as administrator accounts (accounts with an 'Adm' prefix).
- In the case of these 46 accounts, the password had not been changed within 180 days in 23 cases. 18 accounts had no registered date for a password being changed. Poor password controls over these privileged accounts represents a significant risk.
- From the above accounts 26 have not been logged into for 180 days and 15 had no registered date for being logged into. Redundant accounts with administrator privileges represent a risk to Havering's network.
- Two users with functional accounts, with administrative privileges, were identified that did not have the 'Adm' prefix. Two users were identified as using their non-administrative accounts infrequently / one user was identified as not using their non-administrator account.
- The in-built Domain Administrator account is Enabled.
- User accounts with administrator privileges were identified as having passwords that had not been changed since account creation and excessive password ages.

User Authentication Controls Implemented on the Novell Client and Active Directory

- Three potential cases of user duplication were identified (cases of two Active Directory account entries for one user).
- 1,894 functional accounts were identified as not requiring a password - these accounts had the PASSWD_NOTREQD property flag.
- 3 functional accounts were identified where the settings meant the user was not able to change their password.
- An inconsistent approach was identified in relation to the creation of usernames.
- 34 generic training accounts were identified. The majority of these accounts did not display a last logon date indicating that they may be redundant. For 24 of these accounts the Password Not Required Setting was enabled. For 5 of the accounts the password had expired.

Network Terms of Use

- ICT were not aware of a requirement for third parties to sign a Code of Connection (CoCo) agreement, when accessing council network resources.

Audit Trail Monitoring on Network Permissions

- It is not clear where responsibility for administering and monitoring the QRadar audit logging system lies within the ICT department.
- The domain controller audit policy was assessed. 'No auditing' was present on key audit policy areas meaning key events were not being logged.

User Account Creation and Network Access Provision

- The new user e-form field which asks who the new user is replacing is rarely being completed.
- Permissions are cloned on an application level.

IT Access Policy

- There were minimal guidance or policy points relating to password storage and format and to new starter registration for network access and user access termination.
- Policy guidance is provided to network users upon the initiation of their access. This is the only guidance presented to new network users.
- There were cases where users were identified using other users' account access details

3.5.4 Audit Opinion

3.5.5 As a result of this audit seven high priority and two low priority recommendations have been raised.

3.5.6 Recommendations related to the need for:

Suspension of User Accounts and Access

- A more effective approach should be explored for the management of leavers (ideally involving automated daily reconciliations with employment records).
- Periodic reconciliations should be performed (e.g. monthly). Users that have not logged in for 90 days should have their account access automatically suspended (not deleted). In special cases (e.g. maternity leave, long term absence etc) accounts should be suspended and then reactivated upon special request or return of the employee.
- Cases where potential leavers with ongoing access were identified should be investigated by ICT and the necessary actions should be taken (e.g. termination of account access).
- Redundant accounts should be investigated. If there is no legitimate business case for the account's existence then access should be terminated. (*High Priority*)

Logical Protection – Utilisation of an Appropriate Access Model

- Application of the DeleteSubdirectoriesAndFiles permission on task groups should be removed and restricted to users who are tasked with administering the file folders (this permission is included within Full Control permissions).
- Task group descriptions should include key descriptive information to inform ICT's allocation of access.
- A standard naming convention should be developed for the naming of permission groups, disclosing key information on the access being provided.
- ICT administrators should be encouraged to adopt a standardised format and efforts should be made to bring current groups into line. (*High Priority*)

Management of Changes to User Access

- A formalised process should be implemented for granting additional resource access; this should establish the period of the access, which should be agreed by the data owner.
- Access should be terminated when it is no longer required. Buy-in should be generated from services to support this. A notification e-mail should be sent to all users to remind them to inform ICT when access to resources is no longer required.
- All internal post movements where there are ICT access change implications should go through a formalised process of access provision and termination. *(High Priority)*

Administrative Controls

- ICT should assess all administrative access.
 - All redundant administrator accounts should be terminated where there is no business case for their continued existence.
 - All accounts which have no business case for administrative privileges have these excessive privileges removed.
 - All administrator user account passwords should be strong passwords.
- Administrator usernames should comply with Havering ICT's naming conventions.
- All administrators should be formally reminded (e.g. via e-mail) that only administrative tasks should be performed on designated administrator accounts. All administrators should have dedicated administrator and non-administrator accounts with appropriate permissions in each.
- ICT should review controls over the domain administrator account.
- Due to the privileges of administrator accounts, these accounts should have shorter password ages. *(High Priority)*

User Authentication Controls Implemented on the Novell Client and Active Directory

- All potential duplicate user accounts should be investigated and appropriate action taken (e.g. termination of redundant accounts).
- All user accounts should require a password. Accounts where a password is not required should be investigated and rectified.
- All cases where settings are established so that users cannot change their password should be investigated and, where appropriate, the settings should be changed. This setting should be enabled only when there is a clear business case and the risk posed by such accounts is managed (e.g. a training computer account that has significant limitations on access to resources and can only be used from a fixed workstation).
- To mitigate the risks associated with generic accounts, where possible, these accounts should only be functional from specific workstations (e.g. for training). Passwords should be required for all accounts and stored securely. Generic accounts should only be issued when no unique user can be held responsible. *(High Priority)*

Network Terms of Use

- ICT should develop a Code of Connection agreement that all third parties connecting to the council's network must adhere to. *(High Priority)*

Audit Trail Monitoring on Network Permissions

- Ownership for the monitoring and maintenance of the QRadar system should be allocated. The responsible ICT users must receive adequate training to use the system effectively.
- Ownership should be clearly delegated for the monitoring of the audit logs of respective systems. ICT should consider employing a log filtering strategy, which flags key events to the responsible users.
- The ICT department should ensure that it remains in control of the audit log monitoring and review process and that this is not delegated to Internal Audit.
- High importance events that are not currently being audited should be risk assessed (in line with ICT's risk appetite) and the domain policy controller changed accordingly to monitor these events.
- ICT should ensure it has a clear audit policy in place to inform ICT administrator decisions when deciding on the audit logging policy on network resources. *(High Priority)*

User Account Creation and Network Access Provision

- ICT should consider making the field, which requires stating who the new user is replacing mandatory (requesting either a name or for the user to indicate that the field is N/A). This will enable ICT to use this field more effectively for flagging leavers and then removing them from the system.
- A risk assessment should be performed on the cloning of application access profiles, with a specific focus on application systems where access is granted upon login (Single Sign On). Users should only have access to applications where there is a business need for their access and when they have received the necessary training to use the application correctly. *(Medium Priority)*

IT Access Policy

- Following any control changes as a result of the implementation of actions from this audit the policy document should be amended.
- In light of the access control failures brought to our attention, ICT should ensure it completes the e-learning training platform on secure IT practice which is currently under development. Completion of the training should be mandatory for all employees.
- The network terms of use should reference the council's IT access policy (preferably with a hyperlink to the policy document). *(Medium Priority)*

3.5.7 **Limited Assurance** has been given as the system of control is weak and there is evidence of non-compliance with the controls that do exist. The level of risk exposure is not acceptable.

Main Accounting Follow Up	Ref 3 (6)
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3.6 Background

3.6.1 In June 2012 a final audit report was issued to management following an audit of the Main Accounting system. The objective of the audit was to provide assurance regarding the internal controls within the councils Main Accounting system.

3.6.2 The audit reviewed the following key risk areas:

- Policies and Procedure/Compliance
- Quality and Efficiency;
- Management Information (incl. Data Quality) & Reporting; and
- Access to Information.

3.6.3 As a result of the audit one medium priority recommendation was raised and a 'Substantial Assurance' was provided to management. A single recommendation was made and agreed at the time of issuing the final report with an implementation date of September 2012.

3.6.4 Progress on Implementation

3.6.5 A formal follow up has just been completed and progress against all actions was reviewed. The audit recommendation related to requirements of ISS are clearly communicated and included in the Service Level Agreement (SLA). Compliance in this area must be monitored as for other areas of the SLA. All Reconciliations:

- Have an agreed timescale that identifies appropriate levels
- Be identified against balance sheet codes
- Be properly and fully documented, and have a responsible owner
- Be progressed to timetable, in line with procedures
- Have controls and monitoring treated as part of core business
- Confirm balances to Corporate Finance
- Report any issues to Corporate Finance.

3.6.6 There is currently no SLA between Corporate Finance and ISS

3.6.7 A reconciliation schedule is maintained by ISS, this is circulated to Corporate Finance.

3.6.8 As part of this review a sample of reconciliations were chosen from the schedule which should be completed on a monthly basis. For the month that was chosen a sample of 12 out of 47 reconciliations was chosen to be investigated for completeness.

3.6.9 The results are summarised below:

- Three reconciliations were not being undertaken; According to the reconciliation owners corporate finance had been made aware;

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- Three reconciliations were being completed but had historical balances within them that weren't being investigated at the time of the audit;
- Six reconciliations were being completed in accordance with the schedule;
- Reconciliation owners have recently been made aware that they are to identify balance sheet codes; this hadn't been fully implemented at the time of the review;
- For all reconciliations that are being completed a procedure document had been written;
- As well as the sample above a number of reconciliations have been delayed since a change in cash management system, with some outstanding from April. This was due to be fully updated by the end of December; and
- At the time of the audit the reconciliation monitoring process was being adjusted. In future if more than one deadline has been missed Corporate Finance will begin to chase reconciliation owner for more details.

3.6.10 Reconciliation balances are not reported to Corporate Finance on a monthly basis, they are discussed as part of closure meetings. However, Corporate Finance have access to the files kept and can check the balances at any time.

3.6.11 Any issues awaiting fixes or where reconciliations cannot be completed comments are added to the reconciliation monitoring sheet. Where significant these will be raised by ISS at closure meetings.

3.6.12 **Conclusion**

3.6.13 The follow up indicates that some progress has been made in implementing the recommendation, although there is still an issue with some reconciliations not being completed as per the schedule.

3.6.14 It was also discovered that some historical data held within the relevant accounts have not being investigated / reconciled.

3.6.15 As a result of the findings of the testing the assurance provided from the audit work has been amended to a '**Limited Assurance**'.

i-Expenses	Ref 3 (7)
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3.7 Background

- 3.7.1 The council iExpenses system was introduced in April 2011 as part of the implementation of Oracle 12.
- 3.7.2 In May 2012 a Limited Assurance audit report was issued with regard the system and nine recommendations for improvement raised and agreed by management.
- 3.7.3 A follow up audit was completed in November 2012 that showed some progress had been made to implement improved controls. At the time of the follow up work management chose to accept some risks identified by the original audit having considered the options for control. It was therefore agreed that a further full review of the control environment would be undertaken to provide an updated assurance to management. This audit has been completed in conjunction with a pro-active fraud audit. The results of that work will be issued separately.
- 3.7.4 Summary of Audit Findings**
- 3.7.5 Since the last audit a zero tolerance approach regarding claims that the system deems to be non-compliant is now in place and enforced by the Head of Shared Services.
- 3.7.6 Guidance available to staff and managers is still considered to be unsatisfactory and may contribute to non-compliance occurring or inhibit the organisation's ability to enforce and deal with non-compliance. Although a recommendation was raised in the previous audit it has been reiterated in this report with a new responsible officer identified.
- 3.7.7 With regards policy in this area it is noted that the meal allowances have not been reviewed since 1996. The Head of Human Resources and Organisational Development is aware and this will be dealt with as part of a current review of 'reward and recognition'. No recommendation has therefore been made.
- 3.7.8 Two recommendations relating to a reminder to staff and managers and reporting of management information have yet to be implemented as the effectiveness of both is reliant on accurate and robust guidance being available. These recommendations have not been reiterated and remain outstanding from the last audit and implementation will be monitored.
- 3.7.9 A further system enhancement recommended to reduce the risk of system error has been created and tested but not yet gone live in the system. This recommendation will continue to be tracked via on-going follow up work.
- 3.7.10 The level of compliance within this system has been considered again as part of this audit and it is still concluded that there is a need for quality and

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compliance work to be completed within the Internal Shared Service to improve compliance with policy and ensure Managers are fulfilling their roles. This recommendation has in the past been rejected by Management.

3.7.11 Audit Opinion

3.7.12 As a result of this audit two high priority and one medium priority recommendations, have been raised, relating to:

- Guidance available to staff and managers to be reviewed and made more explicit; (*High Priority*)
- Quality and compliance work to be undertaken for claims that the system considers compliant; (*High Priority*) and
- Investigation of the possibility of preventing future dates being entered in error. (*Low Priority*)

3.7.13 There are also four other recommendations yet to be implemented therefore 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.

i-Recruitment	Ref 3 (8)
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3.8 Background

3.8.1 The iRecruitment module forms part of the phase 2 rollout for the new Oracle system and went live during April 2012. This module has been introduced to support the Council's recruitment and selection process and aims to provide managers a system based process for employing new staff and supports the Self Service agenda. Furthermore this should allow a talent pool to be developed and maintained and help to ensure recruitment that is fair, robust and carried out in a consistent manner.

3.8.2 During the audit the Customer Improvement Board (CIB) commissioned the Customer Relationship Team to undertake a review of the Council's iRecruitment system. A number of issues that were picked up as part of this audit have also been referred to within the CIB report and a corresponding recommendation raised. Where this is the case reference to the issues are made below but no recommendation has been made in this report specific to each of the issues. An overall recommendation has been raised instead to ensure that the CIB report findings and related actions are implemented and followed up.

3.8.3 Summary of Audit Findings

3.8.4 There are no quality checks undertaken by HR on the recruitment process undertaken by managers or the supporting documents that are uploaded to support the recruitment process and decision.

3.8.5 Sections of the application process, such as declaring criminal convictions, can be left blank with applicants not forced to select a 'yes' or 'no' option. This non completion is not clearly highlighted to recruiting managers when shortlisting and is shown in the same way a 'no' selection. This increases the risk that managers may not realise this section has been left blank where a job requires knowledge of previous convictions.

3.8.6 Applicants can select an option to not agree to the final declaration regarding the accuracy of their application and consent to the use of personal data but still submit an application. This non agreement should mean that the application goes no further but this consequence is not made clear to the applicant or the recruiting manager.

3.8.7 The following findings have also been picked up as part of the CIB review and recommendations raised within that report to address the issues identified:

- Policies and guidance are out-of-date and refer to processes that are no longer relevant e.g. The Recruitment and Selection Policy makes reference to an approval hierarchy process that is no longer required;
- Current training available and the documented guidance produced for managers to use while recruiting is not sufficient and requires a review; and

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- Lack of clarity surrounding roles and responsibilities within the recruitment process – inclusive of ISS and recruiting managers. A recommendation has been raised in this report to ensure that the CIB review findings, recommendations and agreed actions are implemented and followed up appropriately.

3.8.8 Dashboard reports are under development at the time of this audit and so this area could not be audited as the original scope intended. A report of all recruitments via the system was provided for some testing which identified that not all recruitments through iRecruitment were included. This should therefore undergo a review to ensure accuracy for the future but has not been formally raised as a recommendation due to the reporting being at this developmental stage.

3.8.9 A key control identified in this audit is that payroll will only add people on direction of HR and upon submission of PAMS99 New Starter form and that HR will only process new starters from information through iRecruitment (unless pre-agreed outside recruitment such as NMT's via GLA, or Penna). However, the recent payroll audit identified in a check of forms raised for new members of corporate staff that Transactional HR are not always signing forms off before passing to Payroll to evidence the record had been set up and was correct. A recommendation has been raised in the Payroll report to help address this and quality and compliance checks carried out by HR as referred to in 3.8.4 will further strengthen this.

3.8.10 **Audit Opinion**

3.8.11 As a result of this audit three high and two medium priority recommendations relating to:

- Quality and compliance checks taking place by appropriate HR officers; (*High Priority*)
- Exploring the option to amend the system to force completion of sections during application or amending manager's guidance to ensure responsibilities are made more explicit; (*High Priority*)
- Including additional information for applicants regarding the consequences of not agreeing to the final declaration of the application process; (*High Priority*)
- Agreeing the frequency and requirements for a data purge of the system; (*Medium Priority*) and
- Ensuring that the recommendations raised as part of the CIB review are fully implemented and followed up. (*Medium Priority*)

3.8.12 **Limited Assurance** 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.

i-Procurement	Ref 3 (9)
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3.9 Background

3.9.1 iProcurement is a module of Oracle 12 and was introduced during 2012/13. 'No Purchase Order (PO), no Pay' has been communicated across the Council since October 2012 with a final deadline for all suppliers (with some agreed exceptions) to be on the system by 31st March 2013.

3.9.2 Summary of Audit Findings

3.9.3 The move to iProcurement provides significant opportunities for the Council to manage risk areas in a more efficient and effective way in particular by reducing the risk of non-compliance with approved policies and procedures which seek to ensure at all times compliance with legislation and best practice.

3.9.4 The audit was scoped on the assumption that the implementation phase would be complete and the project would have moved into the business as usual (BAU) phase. At the time of the audit there are a number of controls that could not be accurately documented and evidenced and / or tested. In these risk areas we have discussed with officers and management and received some verbal assurances during the audit regarding plans for the future. Examples of this have been outlined below but based on assurances provided have not been raised as recommendations at this time.

- Monitoring and analysis of expenditure by the Procurement Team to ensure that opportunities to obtain best value for money is identified and acted upon and that there are no breaches of contract procedure rules;
- Reports to Corporate Management Team to show areas / levels of non-compliance with the system;
- Action taken when non-compliance is identified;
- Additional checks by Heads of Service to ensure that hierarchies are accurate and up-to-date; and
- Ongoing development and user consultation of reports required for dashboard.

3.9.5 The Financial Framework has not been updated to take account of the implementation of the iProcurement system.

3.9.6 There is no clear, documented outline or communication of the roles, responsibilities and processes for using iProcurement once it is formally 'business as usual' (BAU), post the 'No PO, no pay' deadline.

3.9.7 Consequences for non-compliance with iProcurement are yet to be agreed and formally documented and communicated.

3.9.8 Audit Opinion

3.9.9 As a result of this audit two medium and one low priority recommendations have been raised relating to a need to:

- Update the Financial Framework; (*Low Priority*)
- Formally document and clearly communicate the roles, responsibilities and processes for iProcurement once it becomes BAU; (*Medium Priority*) and
- Agree and communicate consequences for non-compliance with iProcurement. (*Medium Priority*)

These should be considered by Management in conjunction with the points raised in 3.9.4 where assurances regarding planned control areas, that audit feel are important to the processes, have been obtained.

3.9.10 It will be necessary to review this system again in 2013/14 in order to provide an assurance regarding the final control environment.

3.9.11 The assurance below is based on the original audit scope and the fact a number of controls are not yet sufficiently established to allow for proper evaluation and testing. It should be noted that this is expected for a system still in the implementation phase and should management effectively implement that actions referred to in 3.9.9 then the assurance would be Substantial.

3.9.12 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.

Council Tax	Ref 3 (10)
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3.10 Background

3.10.1 Historically the provision of the Council Tax service was delivered by one dedicated team. In 2011 the administration of Council Tax was split into two main areas. Processing and administration of Council Tax is dealt with by the Contact Centre based at Mercury House who provides the customer facing element of the service. Back office functions have been retained by a team located at the Town Hall.

3.10.2 Summary of Audit Findings

3.10.3 Management information is not currently available from the Information @ Work system and so is being collated manually. Business Systems are working on producing a report to resolve this issue. No recommendation has been raised.

3.10.4 Instances of work that had already been processed were found within the Contact Centre in-tray. No recommendation is being raised as some feedback will be gathered to identify the scale of the issue.

3.10.5 Information relating to planning applications / completions for property extensions have not been reported to the Valuation Office since October 2011, changes in property bands may therefore not be being identified. Whilst this is not the responsibility of this team, there is a possible future impact on the services revenue.

3.10.6 Four accounts on the Academy system are not being billed for Council Tax, as a liable party has not been determined. Planning are conducting a review of the properties / accommodation located on this site. Council Tax will take appropriate action based on the results of this work. No recommendation has been raised.

3.10.7 There are discrepancies between the property numbers and bandings information held by the Valuation Office compared to the Academy system. These discrepancies are factored into reconciliations. No recommendation has been raised.

3.10.8 Clear roles, responsibilities and timescales for taking action on Data Tank and NFI issues have not been established.

3.10.9 Write offs are not being consistently processed in line with the procedure.

3.10.10 A local document retention policy for both hard copy and electronic data is not in place.

3.10.11 Staff that have left the Council still have access rights to the system. Reviews of users have not been happening, although a report is in the

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process of being generated for this to be completed. No recommendation has been made as this is already being resolved.

3.10.12 Declarations signed by staff to support notification of actions not permitted on the Academy system have not been extended to cover all users of the system.

3.10.13 **Audit Opinion**

3.10.14 As a result of this audit three medium and two low priority recommendations have been raised relating to the need for:

- Clarification over responsibilities for passing information to the Valuation Office; (*Medium Priority*)
- Clear roles and responsibilities for processing Data Tank / NFI changes on the system in a timely manner; (*Medium Priority*)
- Documentary evidence to support the write off and approval; (*Medium Priority*)
- A local document retention policy to be produced; (*Low Priority*) and
- Declaration forms for accessing Academy to be expanded to include all non-read only users outside of the Council Tax and Contact Centre teams to be completed. (*Low Priority*)

3.10.15 **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.

Payroll	Ref 3 (11)
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3.11 Background

3.11.1 The Payroll function became part of Shared Services in 2011. In 2011/12 the audit team were unable to provide an assurance to management as a result a Control Working Group was established, bringing resources from Payroll, Business Systems and Audit together to focus on key areas for control improvement.

3.11.2 Summary of Audit Findings

3.11.3 Reconciliation 4.35 - FRS17 Retirement Benefits has not been completed as there was no clarification as to where the responsibility for completion lay.

3.11.4 The end of year reconciliation required by External Audit is still yet to be established and a manual exercise will again be required for 2012/13.

3.11.5 A check of forms raised for new members of corporate staff found that Transactional HR is not always signing forms off before passing to Payroll.

3.11.6 Some of the control weaknesses identified in 2011/12 remain. However the most efficient solution was to implement the Governance, Risk & Compliance (GRC) module and this is part of the scope of the One Oracle project.

3.11.7 A member of the Payroll team with extensive knowledge and wide access to the system is employed on a contract requiring only one week's notice.

3.11.8 Checks on school new starters found that notification of new starters from Education HR were not always present.

3.11.9 Honoraria forms are not being checked by Payroll for sign off by Transactional HR before being processed for payment.

3.11.10 Service Evaluation Questionnaires are not being sent out.

3.11.11 Reports run from the system are not always in the required format and difficulty in extracting information is experienced.

3.11.12 There is no system in place to record the location of documents, before they are scanned, leading to difficulties finding items and the possibility that documents containing personal information could be lost.

3.11.13 Declarations of Interest are not being completed by members of the Payroll Team.

3.11.14 Data Protection procedures are not documented and communicated to staff.

3.11.15 Audit Opinion

3.11.16 As a result of this audit we have raised five medium priority recommendations relating to:

- Transactional Agents to ensure all paperwork received has been signed by HR;
- Honoraria forms to be signed as correct when checked by the Pay Clerk;
- A system to record the location of documents to be devised;
- Members of Payroll staff to sign Declarations of Interest; and
- Data Protection procedures to be documented and made available to staff.

3.11.17 **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.

Pensions	Ref 3 (12)
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3.12 Background

3.12.1 The Council's Pension Fund is operated under the Local Government Pension Scheme Regulations 2007. The fund is financed from contributions from employees, employers and from profits, interest and dividends on its investments.

3.12.2 Membership of the Pension Fund is as follows:

	As @ March 2011	As @ March 2012	April to September 2012
Contributors	6,155	5,548	5,664
Deferred Pensioners	4,041	4,143	4,255
Pensioners and Dependents	5,065	5,046	5,365

3.12.3 The financial position of the Pension Fund is as follows:

	As @ March 2011 (£m)	As @ March 2012 (£m)	Apr to Sep 2012 (£m)
Contributions & Transfers In	£32.6	£32.9	£16.2
Benefits & Transfers Out	£27	£34.3	£16.5

3.12.4 Summary of Audit Findings

3.12.5 There are currently no written procedures for the administration of retirements, deaths and transfers.

3.12.6 The interface between Oracle and Axise (pensions system) is not always accurate.

3.12.7 Starter and Leaver reports do not identify pension members.

3.12.8 Service Evaluation Questionnaires are not being distributed to members.

3.12.9 Declarations of Interests are not being completed by members of the Pensions Team.

3.12.10 A first wave TUPE employer is not providing information when requested, leading to Annual Benefit Statements not being sent out.

3.12.11 Audit Opinion

3.12.12 As a result of this audit two medium priority recommendations relating to:

- Procedures for the administration of retirements, transfers and deaths to be completed; and
- Members of the Pensions team to sign Declarations of Interest.

3.12.13 **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.

Joint Tender – Highways & Street Lighting	Ref 3 (13)
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3.13 Background

3.13.1 Maintaining and improving the boroughs roads, footways and street lighting is a key Administration priority.

3.13.2 Prior to the awarding of the current contracts a joint operational working group and management board was set up for Highways and Street Lighting and a strategic direction set for six East London boroughs, supported by East London Solutions.

3.13.3 As many of the East London boroughs were still in contractual arrangements until 2014, agreement was made to engage in a joint Highways and Street Lighting contract with Havering and Barking and Dagenham.

3.13.4 The Highways Term Contract was awarded to Marlborough Surfacing Ltd for the period 1st November 2011 to 30th April 2014, with the option to extend the contract for a further two and a half years.

3.13.5 The Street Lighting Term Contract was awarded to Volker Highways Ltd also for the period 1st November 2011 to 30th April 2014, with the option to extend the contract for a further two and a half years.

3.13.6 However, it should be noted that a Pan London Highway framework contract is being developed (at TFL) which is due to commence in 2013.

3.13.7 Summary of Audit Findings

3.13.8 There no formal KPI's for the contract.

3.13.9 There are no procedure manuals in place.

3.13.10 Business Continuity Plans and financial stability of the contractors have not been checked since the award of the contracts.

3.13.11 The Highways Section Business Continuity Plan is out of date.

3.13.12 Audit Opinion

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

3.13.14 Recommendations relate to:

- Procedure / guidance notes to be produced; and
- The Highways Section Business Continuity Plan to be updated.

- 3.3.15 **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.

Transport	Ref 3 (14)
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3.14 Background

3.14.1 The Passenger Transport Service is located at Central Depot and is within the Asset Management Service Area in the Finance & Commerce Directorate.

3.14.2 Transport provides a range of functions to various client services within the Council and external customers (e.g. schools, Homes in Havering, LB Barking and Dagenham, Essex County Council and Private Day Care Providers) with a fleet procurement, management and maintenance service comprising in excess of 200 vehicles, 80 mobile plant and a further 100+ items of light plant.

3.14.3 Summary of Audit Findings

3.14.4 There is currently no framework for the procurement of plant.

3.14.5 There are no procedure manuals in respect of the purchase and administration of the Councils fleet.

3.14.6 There is a duplication of process surrounding lease charges and codes.

3.14.7 The date hired vehicles are returned are not always recorded on Tranman.

3.14.8 Capital Finance do not keep an up to date Fleet List

3.14.9 Where a vehicle is hired because an LBH vehicle is unusable, hire charges are not being reclaimed.

3.14.10 Criminal Records Bureau (CRB) Checks were found to have not been reviewed in recommended timescales.

3.14.11 The LBH Drivers Handbook and the Grounds Maintenance Drivers Handbook were out of date but were in the process of being updated.

3.14.12 Audit Opinion

3.14.13 As a result of this audit one high, four medium and two low priority recommendations have been raised.

3.14.14 Recommendations relate to:

- Procedure Manuals to be developed and maintained; (*Medium Priority*)
- The date hired vehicles are returned to be recorded on Tranman; (*Low Priority*)
- The Fleet List maintained by Capital Finance to be updated at the time of purchasing new fleet and disposing of old fleet; (*Medium Priority*)

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- Investigation to ascertain if vehicle hire charges can be reclaimed when fleet vehicle is out of service due to an accident; (*Medium Priority*)
- Shared Services to be contacted to amend the incorrect CRB renewal date; (*Low Priority*)
- Management to ensure all CRB's are up to date and there is a process to monitor going forward; (*High Priority*) and
- Service Level Agreements to be entered into with all services. (*Medium Priority*)

3.14.15 A **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.

Section 4 Schools Audit Work

- 4.1** During quarter four the team have continued to review the schools audit programme to ensure it focuses appropriately on risk areas and taking into account the new Schools Financial Value Standard (SFVS) which has to be completed by each school by the end of March 2013.
- 4.2** Ten school audits were finalised during quarter four. Results of the audits are included in Schedule 2 below.
- 4.3** Management summaries will only be included in the quarterly progress reports when we have given limited or no assurance.

Schedule 2: 2012/13 – School Audits Completed

Report	Opinion	Recommendations				Ref Below
		High	Med	Low	Total	
Clockhouse Primary	Substantial	1	5	2	8	N/A
Hacton Primary	Substantial	1	2	1	4	N/A
Harold Wood Primary	Substantial	0	4	8	12	N/A
Langtons Junior	Limited	2	9	2	13	4 (4)
Pyrgo Primary	Substantial	2	4	1	7	N/A
Towers Infant	Substantial	1	4	1	6	N/A
Ravensbourne	Substantial	0	4	4	8	N/A
Gaynes	Substantial	1	2	1	4	N/A
Marshalls Park	Substantial	2	5	4	11	N/A
Royal Liberty	Substantial	0	3	6	9	N/A

Langtons Junior School	ref 4 (1)
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4.4 Management Summary

4.4.1 Previous Recommendations

4.4.2 There were ten priority two recommendations made at the Annual Audit Health Check undertaken in April 2012. Six of the recommendations have been fully implemented, two partly implemented and two are still to be implemented.

- 4.4.3 The recommendations still to be fully implemented relate to;
- The Terms of Reference for the Leadership & Management Committee (previously the Finance Committee) to include any financial limits imposed;
 - The Finance Policy & Procedures document and staff with access to FMS to be aligned;
 - Reviewing security marking on equipment and Loans of school equipment forms to include the terms and conditions of loan including liability; and
 - A costing summary to be prepared and signed off for school trips;

These recommendations have been reiterated in the report.

4.4.4 Summary of Audit Finding

4.4.5 There are currently no procedures in place to carry out checks on staff car insurance, driving licence and MOT for members of staff using their cars on school business.

4.4.6 Not all items of equipment have been security marked.

4.4.7 The Single Central Record has not been updated.

4.4.8 The Charging Policy has not been reviewed and approved by governors.

4.4.9 The bank mandate does not include financial limits for cheques signatories.

4.4.10 Orders have been raised on the system after invoices are received.

4.4.11 Governors have not approved orders or payments over £5000.

4.4.12 Starter and leaver forms have been authorised by the Executive Head Teacher.

4.4.13 Not all timesheets and timecards have been authorised for payment.

4.4.14 The Acting Head Teacher informed the auditor that:

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- The school has been placed in special measures by OFSTED and is currently in the consultation process regarding a federation with the infant school;
- Since the school has been in special measures the Acting Head Teacher and Executive Head Teacher have been appointed; and
- The processes currently used within the school have been inherited.

4.4.15 Audit Opinion

4.4.16 This audit report contains thirteen recommendations, two high, nine medium and two low priority.

4.4.17 Recommendations relate to the need for:

- Financial limits to be included in the Leadership & Management Committee Terms of Reference; (*Medium Priority*)
- Documentation to be produced by members of staff using their cars for school business including travel to courses; (*High Priority*)
- Users of the SIMS system to be in line with the Finance Policy & Procedures document; (*Medium Priority*)
- All items of school equipment to be security marked; (*Medium Priority*)
- The Equipment on Loan Log to be updated; (*Medium Priority*)
- A system to be implemented to keep the Single Central Record up to date; (*High Priority*)
- The Charging Policy to be reviewed and approved annually; (*Low Priority*)
- A costing summary to be prepared and signed off for school trips; (*Medium Priority*)
- Financial limits to be included in the Bank Mandate; (*Low Priority*)
- Orders to be raised on the system before the invoice is received; (*Medium Priority*)
- Government approval to be sought and evidenced for orders raised and cheques issued over £5000; (*Medium Priority*)
- Starter and Leaver forms to be approved by a member of staff with delegated authority; (*Medium Priority*) and
- Timesheets and timecards to be approved for payment. (*Medium Priority*)

4.4.18 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.

Section 5 – Key Performance Indicators

5.1 The tables below detail the profiled targets for the year and the performance to date at the end of March 2013.

5.2 Audit Plan Delivered (%)										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	16	22	30	37	46	55	66	72	82	94
Cumulative Target	20	30	37	45	53	63	70	80	90	99

5.3 At the end of March 2013 the team is just behind target. This is due to one post being vacant for quarter one and the computer audit plan being profiled later in the year than usual.

5.4 KPI 01 - Briefs issued										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	16	17	19	31	35	45	48	50	51	51
Cumulative Target	12	19	25	32	40	46	50	51	51	51

5.5 At the end of March all briefs had been issued. The target of deliverables for the year is 51.

5.6 KPI 02 – Draft Reports										
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Actual	7	7	8	15	15	18	22	24	26	37
Cumulative Target	8	15	21	26	32	38	40	45	48	51

5.7 At the end of March the team were 14 draft reports behind target. This is due to more demand to support by services when implementing new systems and because a number of larger audits are programmed at the start of the year. Resources were also diverted into a special review.

5.8 KPI 03 – Final Reports											
	Q1	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Actual	3	6	8	13	14	18	19	21	24	36	
Cumulative Target	5	10	15	21	26	32	34	37	43	47	51

5.9 At the end of March the team were 11 final reports behind target.

Section 6 – Changes to the Approved 2012/13 Audit Plan

6.1 No further changes have been made to the 2012/13 Audit Plan.

Section 7 – Outstanding Recommendations Summary Table

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

7.1 Outstanding Internal Audit Recommendations

Review in	Area Reviewed	HoS Responsible	Outstanding			Position as at end March 13		
			High	Medium	Low	In Progress	Not Started	Position Unknown
2008/09	Cemeteries & Crematorium	Housing & Public Protection		1		1		
		2008/09 Total		1		1	0	0
2009/10	Climate Change	Culture & Community		1		1		
		2009/10 Total		1		1	0	0
2010/11	Corporate Support Team	Asset Management			1	1		
2010/11	IT Security	Business Systems		1		1		
2010/11	IT Security	ACE – Legal & Democratic Services		3		3		
		2010/2011 Total		4	1	5	0	0
2011/12	Public Protection	Housing & Public Health			1	1		
2011/12	Remote Working	Business Systems		1		1		
2011/12	Oracle Financials	Business Systems		3		3		
2011/12	Crematorium – Grave Allocations & Record Keeping	Housing & Public Protection		4		4		
2011/12	Education Computer Centre	Business Systems	2	2		4		
2011/12	Appointeeship & Deputyship	Adult Social Care	1			1		

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Review in	Area Reviewed	HoS Responsible	Outstanding			Position as at end March 13		
			High	Medium	Low	In Progress	Not Started	Position Unknown
2011/12	Network Infrastructure	Business Systems	1			1		
2011/12	Pensions	Shared Services		1		1		
2011/12	i-Expenses & Purchase Cards	Group Director – F&C	1			1		
2011/12	i-Expenses & Purchase Cards	Shared Services	1	1	1	3		
2011/12	Main Accounting	Shared Services		1		1		
2011/12	Contracts & Procurement	Finance & Commerce		2		2		
2011/12 Total			6	15	2	23	0	0
2012/13	Information Governance	ACE – Legal & Democratic Services	1	1		2		
2012/13	Ingrebourne Children’s Centre	Children’s Services	1			1		
2012/13	Traded Services	AD Transformation (Commissioning)	1			1		
2012/13	Oracle Financials	Business Systems		5		5		
2012/13 Total			3	6		9	0	0