

Audit Committee

Agenda
Item:

A.7

Meeting Date: 26th September 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public

Title: Internal Audit Progress Report 2013-14 (No. 2)
Report of: Director of Resources
Report Number: RD42/13

Purpose / Summary:

This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan.

Recommendations:

Members are requested to:

- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
- Note the position on the follow up of previous audit recommendations as outlined in section 3.
- Receive the completed audit reports referred to in section 4.

Tracking

Audit Committee	26 th September 2013
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 **BACKGROUND**

- 1.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly.
- 1.2 Internal Audit examine, appraise and report on the effectiveness of financial and other risk, governance and internal controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.
- 1.3 This report summarises the work carried out by Internal Audit and details the progress made on delivery of the approved Audit Plan during the first quarter of 2013/14.

2 **AUDIT PERFORMANCE AGAINST THE 2013/14 AUDIT PLAN**

- 2.1 The 2013-14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15th April 2013 – report RD 06/13 refers.
- 2.2 To assist Members in monitoring the progress made against the agreed 2013/14 Audit Plan, **Appendix A** illustrates the current position of the Plan up to the end of August 2013. The position can be summarised as follows:

	Allocated Days	Actual Days
High Risk	182	127
Value for Money & Efficiency	40	0
Main Financial System	148	16
ICT	25	0
Project Support	20	0
Fraud	25	10
Other	100	49
Total Audit Days 2013-14	540	202

- 2.2.1 The Plan calls for 540 direct audit days to be delivered in 2013/14 – 202 days (37%) have been delivered in the first quarter period. Time has been spent on the following areas:
 - 2013/14 audit reviews are ongoing in the areas of Revenues Recovery, Electoral Registration, Performance Management (Service Standards) and Organisational Development and Corporate Training.

The audit of Customer Services audit brief was agreed at the beginning of August 2013. The audit fieldwork has now been completed and findings and recommendations are currently being discussed with management.

- Detailed follow up audits being progressed in the areas of External Funding and Records Management.
- 2012/13 National Fraud Initiative (NFI) review of data matches is nearing completion.
- Discussions are taking place with Revenues and Benefits management to pursue the delivery of joint audit reviews on the 3 main systems within the Revenues and Benefits Shared Service in 2013/14; these being Council Tax, NNDR and Housing Benefits.

Undertaking cross cutting audit reviews has several perceived benefits including helping to reduce duplication for both Internal Audit and the client and thus aiming to use resources more efficiently and it will also look to provide assurance over the extent of the alignment of processes and procedures within the Revenues and Benefits Shared Service.

2.3 Members are asked to note the progress made against the agreed Audit Plan.

3 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

3.1 There are 3 methods used by Internal Audit to ensure all previous recommendations are followed up. The follow up procedure applied depends on the assurance rating and frequency of the audit. For clarity, these methods are explained below:

Central Monitoring

3.1.1 A revised system for the follow up of audits which have resulted in a reasonable or substantial assurance rating is in place. This utilises Covalent, the corporate performance management system for all applicable audit reports issued since April 2012. The process requires managers to input the action taken to effectively address each audit recommendation for which they are assigned responsibility to implement within the timescales defined in the agreed action plan. Internal Audit monitors the progress on these recommendations; no direct audit follow up work is undertaken.

- 3.1.2 A report on the position of all follow ups of previous audit recommendations monitored via Covalent is attached as **Appendix B**. Attention is drawn to the colour coding used to highlight the progressive action taken against each audit recommendation.
- 3.1.3 In summary, 42 recommendations are currently being monitored; 23 where sufficient action is reported and these recommendations are now closed. There are 19 open recommendations; 6 recommendations are in progress and 13 recommendations where insufficient information has been provided to determine whether or not appropriate action has been taken to date. For those recommendations which have not had an adequate response, further enquiries with managers have been made.
- 3.1.4 Further improvements are to be made to this follow up process as it is known some managers have alternative means of monitoring outstanding recommendations within their service areas. Outstanding information shown in Covalent will continue to be pursued by Internal Audit and further guidance will be available to help managers provide more timely input and update of audit recommendations assigned to them.

Detailed Audit Follow Ups

- 3.1.5 Audit reviews which result in partial or limited assurance evaluations are followed up in detail by Internal Audit. These audit areas are incorporated into the annual audit planning process and audit days are allocated in the subsequent year to undertake a formal follow up review. There are 5 'partial' audit reviews from 2012/13 which have been incorporated into the 2013/14 Plan for formal follow up reviews to be undertaken, the outcome of each will be reported to a future meeting of this Committee.

For example - the audit report on Carlisle and Currock Cycleway Project – Lessons Learned, attached as Appendix F, is a formal audit follow up which has been undertaken. This report is considered in more detail within section 4 of this report.

Cyclical Audit Reviews

- 3.1.6 Audit recommendations arising from the cyclical main financial system reviews are followed up as part of the next audit review. A follow up schedule is used to report the position of previous recommendations; if the Auditor finds that insufficient action has been taken to implement a previous recommendation and this recommendation remains valid, the recommendation is carried forward for inclusion into the Summary of Recommendations / Agreed Action Plan.

For example- the audit reports on Fixed Assets and Creditor Payments, attached as Appendices D and E, are main financial systems reviews which include the follow up of previous audit recommendations. These reports are considered in more detail within section 4 of this report.

- 3.2 Members are asked to note the position on the follow up of previous audit recommendations.

4 REVIEW OF COMPLETED AUDIT WORK

- 4.1. There are 4 audit reports to be considered by Members at this time. Guidance on the grading of audit recommendations, the audit follow up procedure and audit assurance ratings is attached as **Appendix C**.
- 4.2. The Management Summary and a copy of the Summary of Recommendations / Action Plan for each completed audit review listed below have been provided within **Appendices D-G**.

<u>Audit of:</u>	<u>Assurance Evaluation</u>	<u>Appendix</u>
Fixed Assets	Substantial	D
Creditor Payments	Reasonable	E
Carlisle and Currock Cycleway Project	Reasonable	F
IT Business Continuity Planning	Partial Assurance	G

5 CONSULTATION

Not applicable

6 CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 6.1. It is recommended that Members:
- Receive this report and note the progress made against the agreed 2013/14 Audit Plan referred to in section 2.
 - Note the position on the follow up of previous audit recommendations as outlined in section 3.
 - Receive the completed audit reports referred to in section 4.

7 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

7.1. To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: **Gill Martin** **Ext: 7294**
 Audit Manager
 (Cumbria Shared Internal Audit Service)

Appendices A-G **Appendix A – 2013/14 Audit Plan Monitoring Update**
attached to report: **Appendix B – Follow Up of Previous Recommendations**
 Appendix C – Grading of Audit Recommendations and
 Assurance Evaluations
 Appendix D – Audit of Fixed Assets
 Appendix E – Audit of Creditor Payments
 Appendix F – Audit of Carlisle Cycle Way
 Appendix G– Audit of IT Business Continuity Planning

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

CARLISLE CITY COUNCIL AUDIT PLAN 2013/14 (up to 31 August)

Directorate	Audit Area	Audit Days Allocated	Status	Assurance Evaluation	Audit Committee Date
High Risk Reviews					
Community Engagement	Revenues Recovery (inc. Housing Benefit Overpayments)	15	Ongoing		
Community Engagement	Customer Contact Centre	12	Ongoing		
Community Engagement	Leisure Services Contract	10			
Community Engagement / Economic Development	Projects and Partnerships - Stewardship arrangements	20			
Governance	Electoral Payments	10	Ongoing		
Local Environment	Carlisle Cycle Way	10	Completed	Reasonable	26-Sep-13
Local Environment	Recycling Contracts	15			
Local Environment	'Clean up Carlisle' - Street Cleaning (education & enforcement)	15			
Resources	Procurement - Tendering and Contracting	20	Draft		
Resources	External Funding - Compliance and Monitoring Arrangements	15	Ongoing		
Corporate	Records Management Arrangements	15	Ongoing		
Corporate	Performance Management - Service Standards	10	Draft		
Corporate	Organisational Development & Corporate Training	15	Ongoing		
		182			
Value for Money and Efficiency Reviews					
Corporate	Improvement, Efficiency and VFM Programme	20			
Corporate	Charging and Trading - income generation	20			
		40			
Main Financial System Reviews					
Community Engagement	Council Tax	12	Ongoing		
Community Engagement	Housing and Council Tax Benefits	20	Ongoing		
Community Engagement	National Non Domestic Rates	12	Ongoing		
Resources	Main Accounting System	20			
Resources	Fixed Assets	15	Completed	Substantial	26-Sep-13
Resources	Creditors	10			
Resources	Debtors	10			
Resources	Payroll	12			
Resources	Treasury Management	10			
Resources	Income Management	12			

Local Environment	Car Parking Income	15	
		148	
<u>ICT Reviews</u>			
Resources - ICT Connect	Project Management	10	
Resources - ICT Connect	IT Developments - use of electronic forms	15	
		25	
<u>Project Support</u>			
Community Engagement	Welfare Reform Changes	5	
Resources	Procurement - ePurchasing	15	
		20	
<u>Fraud</u>			
Corporate	National Fraud Initiative	15	Ongoing
Corporate	Counter Fraud Arrangements / Awareness	10	Ongoing
		25	
<u>Other Audit Work</u>			
Audit Management, Committee, Planning & Reporting		50	Ongoing
Follow Up of Previous Recommendations		10	Ongoing
Contingency		40	Ongoing
Total Audit Days 2013-14		540	

APPENDIX B

Summary of Audit Recommendations - Monitoring Report - Closed Actions

RED - Overdue
Amber - In progress
Green - Actioned

Overall total number of recommendations	42
Total number closed actions (attached list)	23
Total number of in progress actions	6
Total number of open actions	13

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed Action	Responsible Officer	Action completed by	Action taken	Action completed date	Audit closed
04/09/2012	Data Quality	Chief Executives Team	R1 The outstanding Transparency Code and the Localism Act requirements be actioned as soon as possible. Specific attention be given to the adding the Authority's policy relating to the publication of and access to information relating to remuneration to chief officers within the actual Pay Policy Statement in accordance with section 38 of the Localism Act. This statement should then be published on the Transparency page of the Authority's website in accordance with this statement.	B	Information relating to the remuneration of chief officers will be included in the Pay Policy Statement and published on the Council's website on the Transparency pages.	Policy & Communications Manager	31/01/2013	Link to Pay Policy Statement added to Transparency web page 2/1/13	31/01/2013	Ok

04/09/2012	Data Quality	Chief Executives Team	R2The Transparency pages on the Authority Website should be updated on a more timely basis.	B	Review of the content of the Transparency pages will be conducted quarterly.	Policy & Communications Manager	30/11/2012	Link to Pay Policy Statement added to Transparency web page 2/1/13	31/01/2013	Ok
04/09/2012	Data Quality	Chief Executives Team	R4 The Policy and Communications Manager should consider the merits (or otherwise) of internal audit verifying a number of performance indicators. If decided not necessary, the partnership should also be made aware of this decision. Any decision should be made in conjunction with the Audit Services Manager.	B	Benefits of internal audit verifying PIs to be considered and fed back to Audit Services Manager.	Policy & Communications Manager	31/12/2012	Audit Services have been requested to look at service standard:SS00 2 The percentage of missed waste or recycling collections	21/12/2012	Ok
04/09/2012	Data Quality	Chief Executives Team	R6 All partners should be required to sign a 'data quality statement' to ensure that they comply to the same quality standards as the Authority. This requirement should be incorporated into both the revised Data Quality Policy and the Partnership Protocols in detail.	B	Partners will sign a data quality statement and this requirement will be incorporated into the Data Quality Policy and strengthened within the Partnership Protocols.	Policy & Communications Manager/Development & Support Manager	31/03/2013	Revised Partnership Policy issued in June 2012	17/06/2012	Ok

08/11/2012	Housing Benefit Overpayments - Follow up	Community Engagement	R1 - Once an overpayment case has been heard at appeal stage, the Senior Appeals Officer should inform the Overpayments Team immediately so that recovery can restart or the system can be updated.	B	Complete	Housing Benefits Manager	30/09/2012	Completed	30/09/2012	Ok
08/11/2012	Housing Benefit Overpayments - Follow up	Community Engagement	R2 Due notice should be given to the Overpayments Team to be able to prepare the write-off information for the Director of Resources so that the due consideration can be given to each write-off and they are all viable and justified.	B	Complete	Housing Benefits Manager	01/10/2012	Completed	01/10/2012	Ok
08/11/2012	Housing Benefit Overpayments - Follow up	Community Engagement	R3 - It is recommended that a) ensuring all recovery and payments arrangements procedures so they can identify what is standard and not standard practice, and b) ensuring that notebooks are used in all cases so that if an overpayment appears unjustifiably low for the amount of debt, it can easily be identified why and/or questioned.	B	Complete	Housing Benefits Manager	10/10/2012	Completed	10/10/2012	Ok

30/08/2012 -	Development Control/Manag ement	Economic Development	R3 Refunded Planning Application fees should have a letter accompanying the cheque to the applicant stating why the refund has been made and a copy put on file. The actual process of how the letter accompanies the cheque will need to be agreed between the Planning Office and Creditors Section.	B	Letter to be set up in Acolaid to be completed and issued with refund request to EDAdmin and dispatched with refund cheque	Planning Manager/LLPG- Accolaid Development Officer	01/12/2012	Notifying applicants/agen ts when they require a refund	30/11/2012	Ok
30/08/2012	Development Control/Manag ement	Economic Development	R5 Hard copy file information should be completed in full where appropriate.	C	Change in procedure to be implemente d	Technical Officer(s)	01/12/2012	File notes completed	30/11/2012	Ok
17/09/2012	Gifts & Hospitality	Governance	R1 The Employee and Members Code of Conduct training should be mandatory for all. This may be achieved through the use of e-learning module supported by supplementary workshop sessions if appropriate.	B	As many courses as required will be provided; the issue is getting attendance. We do not have the power to compel Members to attend.	Director of Governance/Sup port Officer (SHE)	31/01/2013	The Ethical Governance Group has approved mandatory training for all. E-learning editing training is to be undertaken by a nominated member of staff. The package will then be rolled out to all staff and members.	09/01/2013	Ok

17/09/2012	Gifts & Hospitality	Governance	R2 Awareness surrounding the records of declined gifts and hospitality require to be addressed further.	C	E-learning may also assist this.	Director of Governance/Support Officer (SHE)	31/01/2013	Governance have written to all staff reminding them of the requirement	26/11/2012	Ok
17/09/2012	Gifts & Hospitality	Governance	R3 The Chief Executive's Gifts and Hospitality pro-forma should only be authorised by the Deputy Chief Executive.	C	Agreed and DoG will action. Not necessarily agreed that DoG is the responsible officer as to the level of delegation given to the CEO's PA	Director of Governance/Support Officer (SHE)	31/10/2012	This is now done (in fact from our records it always has).	31/10/2012	Ok
17/09/2012	Gifts & Hospitality	Governance	R4 Staff should ensure that all appropriate boxes are completed when checking / scanning the Gifts & Hospitality forms.	C	Agreed.	Director of Governance/Support Officer (SHE)	31/10/2012	Instruction given.	31/10/2012	Ok

17/09/2012	Gifts & Hospitality	Governance	R5 Thought should be given to further developing the Mayors engagements schedule to accommodate space for registering gifts received or submitting an e-mail on a weekly basis to Committee Clerks a daily listing on any gifts or hospitality received when attending functions. This could be filed with the weekly engagements schedule forming a Mayors Gifts & Hospitality register.	C	Agreed.	Director of Governance/Support Officer (SHE)	31/10/2012	Registration system set up.	31/10/2012	Ok
03/04/2013 -	Bereavement Services	Local Environment	R1 An actions plan should be prepared detailing specific objectives, responsible owners and target timescales.	D	Noted.	Neighbourhood & Green Spaces Manager	16/04/2013	Noted.	16/04/2013	Ok

06/09/2012	CCTV	Local Environment	<p>R1 Policies and procedures should be reviewed and updated where necessary to ensure there is full coverage over the activities of the CCTV service and appropriate guidance for relevant officers. Policies and Procedures should:</p> <ul style="list-style-type: none"> * Be electronic to aid review and update; * Record details of review and update to include date undertaken and by whom; * Be brought to the attention of relevant staff, who should sign and date that they have been read and understood and ; * Be accessible to all relevant staff - either hard copy (CCTV Operators etc) or electronic (e.g management or those with access to a pc). 	B	Agreed.	Environmental Health Manager	31/12/2012	<p>15/11/12: Code of Practice updated and ready to go on the K:drive. Operating Procedures finished. Policies to be circulated to staff with signing sheet</p>	11/01/2013	Ok
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06/09/2012	CCTV	Local Environment	R2 A review of all records and documents relating to the CCTV service should be undertaken so that only those are retained that are in current use and required by statute.	B	Agreed.	Environmental Health Manager	31/12/2012	15/11/12: lots of material removed via confidential waste. Still some corridor files being checked. 3 x operatives completed DPA training in Oct. All recent documents are DPA compliant.	11/01/2013	Ok
06/09/2012	CCTV	Local Environment	R3 A complete and accurate register of all CCTV cameras and their location details should be maintained.	B	Agreed.	Environmental Health Manager	31/10/2012	4/11/12: Accurate list available. Information also on consultation document.	04/01/2012	Ok
06/09/2012	CCTV	Local Environment	R4 Consideration should be given to whether there are better ways or arrangements, to deliver the recording and monitoring of the Brompton & Longtown camera images.	C	This will be very dependent on the savings identified to be achieved in the latest savings round. Its also likely to be political not just economic.	Environmental Health Manager	29/10/2012	19/11/12 Executive Report and recommendations on general CCTV provision and savings. Consultation process to start from 28/11/12.	11/01/2013	Ok

			R5 A review of performance monitoring requirements should be undertaken to establish what measures are important to the service in order to evidence decision making, aid continuous CCTV service improvement and ensure the effective deployment of human resources.	B	Agreed.	Environmental Health Manager	03/12/2012	Stats now recorded on types of incidents; how reported; and whether they are day or evening shifts of the days monitored. Monthly report data available from September 12.	21/11/2012	Ok
17/09/2012	Early & Flexible Retirements/R edundancy	Resources	R1 The Organisational Development Manager should be notified by the HR Manager and/or HR Advisor, at the beginning of any re-organisation likely to involve redundancy to enable the OD Section to formulate training plans and, if possible, tailored support packages.	B	The Organisational Development Manager will be notified by the HR Manager and/or HR Advisor, at the beginning of any re-organisation likely to involve redundancy to enable the OD Section to formulate training plans and, if possible, tailored support packages.	Personnel Manager	31/10/2012	Details passed to OD as/when available	31/10/2012	Ok

17/09/2012	Early & Flexible Retirements/R edundancy	Chief Executives Team	R2 Managers should receive formal training to provide them with skills in managing early retirements and redundancies in addition to the day to day informal ad-hoc working support provided by HR Advisors.	B	Skills based training courses on managing early retirements and redundancies will be included in the corporate training programme, E-learning modules will also be developed.	Organisational Development Manager	31/03/2013	Training course on managing redundancies was organised for November but has been postponed due to low numbers - will now take place in January.	31/03/2013	Ok
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17/09/2012	Early & Flexible Retirements/R edundancy	Resources	R4 Details used to calculate estimates/final calculations to support information in communications with staff and payroll should show the following information: * the actual salary used; * the grade and salary point: *whether the salary is affected by a protection period; *date of calculation. *ascertainment of weekly rate.	B	Details used to calculate estimates/fi nal calculations to support information in communicat ions with staff and payroll will show the following information: <ul style="list-style-type: none"> · The actual salary used. · The grade and salary point. · Whether the salary is affected by a protection period. · Ascertainme nt of weekly rate. · Date of calculation. 	Personnel Manager	03/10/2012	Format to meet this is now included in supporting documentation.	03/10/2012	Ok
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Summary of Audit Recommendations - Monitoring Report (from April 2012 to-date) - Open Actions

RED - Overdue
Amber - In progress
Green - Actioned

Overall total number of recommendations	42
Total number closed actions (attached list)	23
Total number of in progress actions	6
Total number of open actions	13

Date of Final Report	Audit of:	Directorate	Recommendation	Grade	Agreed action	Responsible Officer(s)	Action completed by	Progress Update as at 16 September 2013	Revised Action complete by date
19/12/2012	Tullie House - Management of Assets	Community Engagement	R1 - Financial Services must liaise with Tullie House management to a) implement a valuation process that is robust & will maintain the requirements of the Collection Loan Agreement & this should be reflected in the Collections database b) Ensure that the insurance valuation of the Collection is brought up to date.	B	To be considered as part of the Insurance Tender renewal process that will hopefully see a new Fine Arts policy added to the insurance schedule. As part of this revised valuations will be undertaken, either formal valuations or desk top exercise.	Financial Services Manager, Chief Accountant	01/05/2013	Valuations have been delayed in order that they are taken out on the same valuation programme as the Council's other property assets. Work is ongoing to prepare lists of assets and associated documents, e.g. photos, in preparation of approaching a valuer to undertake the task. It is hoped valuations will be undertaken by 31 March 2014.	31/03/2014

04/09/2012	Data Quality	Chief Executives Team	R3 The Data Quality Policy for Carlisle City Council requires updating to reflect current requirements and revised working practices.	B	Data Quality Policy will be updated.	Policy & Communications Manager	31/01/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R5 The quality of data should be assessed at source document stage in addition to the data transfer to Covalent stage to assure accuracy of information. The requirement of this should be included in the revised Data Quality Policy.	B	Requirement of data quality to be assessed at source document stage to be incorporated into revised Data Quality Policy.	Policy & Communications Manager	31/01/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R7 The risks associated with the availability of Authority data should be considered carefully and suitable mitigating actions applied to each. These should then be included within the relevant risk register(s) where appropriate.	B	Consider forming a data quality risk register or incorporating risks into existing registers.	Policy & Communications Manager	31/01/2013	Awaiting progress update	

04/09/2012	Data Quality	Chief Executives Team	R8 Consideration should be given to include responsibility for data quality within the senior officers and Performance staff job descriptions.	D	Consideration will be given to include responsibility for data quality within the senior officers and Performance staff job descriptions.	Policy & Communications Manager	31/03/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R9 On updating the Policy, the opportunity should be taken to enhance the existing Policy by including more specific roles and responsibilities that are measurable so these too can be monitored to ensure compliance and assist in embedding data quality standards throughout the Authority.	B	The Data Quality Policy update will include specific roles and responsibilities that can be measured and monitored.	Policy & Communications Manager	31/01/2013	Awaiting progress update	

04/09/2012	Data Quality	Chief Executives Team	R10 The data quality checking measures should be centrally monitored via the completion of assurance statements from a senior officer, that declares that they are satisfied that the data quality is of the highest level achievable and also take ownership for data quality in accordance with the policy.	B	Assurance statements will be produced by a senior officer (TBC) stating their satisfaction with data quality.	Policy & Communications Manager	31/01/2013	Awaiting progress update	
04/09/2012	Data Quality	Chief Executives Team	R11 It is important that after the revision of the Data Quality Policy, that staff are made aware of its existence and location, so that they are aware of their responsibilities regarding data quality from the outset and the importance of compliance. Staff training regarding data quality and the importance of such day to day working arrangements should be made available.	B	Revised Data Quality Policy will be highlighted to staff. Consideration will be given to producing a learning pool module.	Policy & Communications Manager	31/03/2013	Awaiting progress update	

04/09/2012	Data Quality	Chief Executives Team	R12 The homelessness statistics provided from the hostels and the final CLG P1E return should be reconciled prior to submission to ensure that all information input into the database is correct. Any deletions from the system that may affect any previously reported performance information should be logged separately and include a brief explanation for the deletion so that a report can be ran at anytime and the information will be accurate.	B	Checks will be made to ensure the CLG P1E return matches the current homelessness stats and is correct. Deletions will be recorded with a reason for deletion.	Policy & Communications Manager	30/11/2012	Awaiting progress update	
30/08/2012	Development Control/Management	Economic Development	R1 The Development Management Service Support Staff should all be following the same procedures relating to the receipt, banking and reconciliation of Planning Fees.	A	Protocol guidance to be prepared and implemented by ED Admin team	Planning Manager/Senior Administrator Performance Management	01/10/2012	Implemented - No-date completed	

30/08/2012	Development Control/Management	Economic Development	R2 Applications from City Council employees should be formally recorded in Acolaid under a specific reference for statistical and transparency purposes.	C	New City Council Employee field to be set up in Acolaid and employees recorded	Planning Manager/LLPG-Accolaid Development Officer/Technical Officer(s)	01/10/2012	Awaiting progress update	
30/08/2012	Development Control/Management	Economic Development	R4 Creditor requests should be copied to file following authorisation.	C	Change in procedure to be implemented	Planning Manager/Senior Administrator Performance Management	01/10/2012	Procedure notes for dealing with creditor requests updated - No-date completed	
03/04/2013	Bereavement Services	Local Environment	R2 The manual cash receipting system (the Kalamazoo book) should be replaced with an electronic system - ICON the Corporate Cash Receipting system should be directly utilised by Bereavement Services.	B	Service migration and transfer of office will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	
03/04/2013	Bereavement Services	Local Environment	R3 Invoices should be raised through the Council's corporate debtor system and the centralised debt recovery procedures should be applied.	B	Service migration and transfer of offices will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	

03/04/2013	Bereavement Services	Local Environment	R4 The identification of outstanding debts and appropriate follow up action to be taken (including write off where relevant) should be through the Council's main debtors system.	B	Service migration and transfer of offices will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	
03/04/2013	Bereavement Services	Local Environment	R5 Staff should be reminded of the need to test check a sample of the service charges on debtors invoice in particular when commencing a new financial year to verify fee/charge rate applied are in accordance with the latest fees/charges booklet.	B	The Bereavement Services team leader will instigate 'test checks' on a sample of Debtors invoices to ensure they are being charged at the up-to-date rate.	Neighbourhood & Green Spaces Manager	30/04/2013	Staff have been reminded that charges have changed and to check a sample of debtors invoices to ensure the up-to-date charges are being implemented. No-date of completion	
03/04/2013	Bereavement Services	Local Environment	R6 BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy.	B	Service migration and transfer of offices will be completed by June 2013.	Neighbourhood & Green Spaces Manager	30/06/2013	Awaiting progress update	

03/04/2013	Bereavement Services	Local Environment	R7 As part of the 2013/14 Cemeteries and Crematoriums budget setting process, budgets should be removed when not utilised and reviewed when there is evidence of being under utilised in previous years. In addition budget holders should be reminded of the need to ensure that expenditure should not be incurred when no budget is available.	B	A continuous review of budgets is on-going involving the service manager and senior accountancy assistant to identify under-utilised budgets and use them to offset spending pressures elsewhere in Bereavement Services. Recurring virements will be prepared as necessary. Officers will be reminded of the Financial Procedures which prohibit the use of codes where no budget is allocated.	Neighbourhood & Green Spaces Manager	30/04/2013	A process of reviewing and reallocating budgets is underway involving the accountant for this service. Officers have been reminded that no expenditure should be incurred against zero budgets. No-date of completion	
17/09/2012	Early & Flexible Retirements/Redundancy	Resources	R3 Leaver files should retain the sequentially dated documentation, divided into sub-sections, they had when they were "current" files.	D	EDMS will hold the information electronically in sub-divided format. Hard-copy filing process to be reviewed.	Support Services Team Leader	31/03/2013	Work on EDMS on-going; manual files reviewed but time/resources insufficient to do this for benefit that would be achieved. No completion date	

Grading of Audit Recommendations and Assurance Evaluations

(1) Audit Recommendations

Each audit recommendation arising from an audit review is allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of or failure to comply with a key control leading to a fundamental weakness and /or non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of or failure to comply with a system control leading to a significant system weakness.
C	Lack of or failure to comply with any other control leading to system weakness.

Where audit recommendations are arising from an audit review, a Summary of Audit Recommendations is attached to the audit report in the form of an Action Plan. This Action Plan is required to be completed by the lead client officer and provide details of proposed action to be taken to address the recommendation, the timescales for implementation and name of the responsible officer.

Internal Audit follow up all audit recommendations 6 months after the issue of the final report, with the exception of the material system reviews which are followed up as part of the next annual audit. When it is considered that insufficient or no action taken has been taken to address audit recommendations and there is no good reason to support the lack of action, the matter is reported to the Audit Committee.

(2) Audit Assurance Evaluations

Audit assurance evaluations are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. Internal Audit's assessment of internal control forms part of the annual assessment of the system of control, which is now a statutory requirement. The assurance evaluation given to an audit area can be influenced by a number of factors including stability of systems, number of significant recommendations made and impact of not applying audit recommendations, non adherence to procedures etc. The levels of assurance are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.



SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
RESOURCES DIRECTORATE**

**ON:
FIXED ASSETS**

Draft Report Issued: 23rd August 2013

Final Report Issued: 10 September 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Fixed Assets forms part of the annual programme of material reviews for 2012/13, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts.

2. BACKGROUND INFORMATION

- 2.1. The Council's fixed assets are recognised and measured in accordance with their accounting policy that includes Heritage assets; Intangible assets; Investment property; Property, Plant and Equipment etc.
- 2.2. The Council's accounting policies are reviewed on annual basis in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting. The key accounting changes to the 2012/13 Code has no impact to fixed assets.
- 2.3. For the period 2012/13 an analysis of capital expenditure by asset classification is detailed as follows:

Fixed Assets	£
Op Land & Bldg	946,882
Op Infrastructure	113,770
Op Equip, Vehicle & Plant	1,041,162
Op Community	62,182
Non Op Investment	442,206
Heritage	34,972
Non Op Auc	1,008,250
Refcus	1,148,600
	4,798,024
Assets acquired as an exchange	535,000
Total	5,333,024

- 2.4. Valuations of assets are undertaken at the year end and any movements and charges are applied and reflected in the fixed asset register "Real Asset Management" after the Capital Outturn report in mid-May.
- 2.5. The Chief Accountant supported by a Group Accountant within Financial Services are responsible for monitoring and reporting on the Capital Programme throughout the year; capitalising expenditure in accordance with the accounting policy and at the year end updating and reconciling the fixed asset register to the financial ledger.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
- appropriate measures are in place to sufficiently evidence existence and ownership of assets (the audit recommendation reported in 2011/12 review refers);
 - fixed assets are recognised and measured in accordance with the relevant accounting standards and policies adopted; and
 - fixed assets are acquired and disposed of in accordance with the relevant accounting standards and policies adopted.

Section 1 – Management Summary

- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to fixed assets and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.

4. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW –

- 4.1. An audit of fixed assets was previously carried out in 2011/12. This review awarded a Reasonable Assurance level and resulted in one recommendation. Appendix B lists the recommendations made and the actions which have been taken to address these.
- 4.2. It is concluded that progress has been taken to partially implement the one previous audit recommendation made. A recommendation (grade C) relating to the one remaining property has been incorporated into the 2013-14 Summary of Recommendations/Action Plan attached as Appendix C.

5. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 5.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 5.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

Section 1 – Management Summary

6. EVALUATION AND RECOMMENDATIONS ARISING

- 6.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Fixed Assets provide **Substantial** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Policies and Procedures	Substantial	0	0	0
7.2	Existence and Ownership of Fixed Assets	Substantial	0	1	0
7.3	Acquisitions and Disposals	Substantial	0	0	0
Overall Evaluation / No. of Recommendations		Substantial	0	1	0

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. The **Substantial** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 7.2. *Areas of good practice noted:*
- knowledgeable and very experienced staff; and
 - transparent financial records.
- 7.3. One opportunity to further enhance controls has been identified; this matter is detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix C.
- 7.4. There are no key issues arising from this review.

REPORT DISTRIBUTION

The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources	Report to be noted.
Director of Governance	Report to be noted.
Financial Services Manager, Resources	Report to be noted.
Legal Services Manager, Governance	Action required. Please refer to Appendix C - Summary of Recommendations / Action Plan.
Property Services Manager Resources	Report to be noted.
Chief Accountant Resources	Report to be noted.

Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix C) at its next meeting on 26 th September 2013.

RESOURCES DIRECTORATE

AUDIT FOLLOW UP OF FIXED ASSET
Final report issued 30 MARCH 2012

SUMMARY OF PREVIOUS RECOMMENDATIONS

REF	RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED (Completed by Internal Audit)
R1	That the remaining 3 assets (per para. 9.2.1.) where no land registry title numbers exist are resolved. Details of missing land registry title numbers for the additional sample tested should also be resolved.	B	For 2 out of the 3 properties Internal Audit have been provided with evidence that shows land registry title for one of the properties and for the other property title is not required as it is held in trust on behalf of a charity. For one remaining property at Stanwix Bank, Legal Services are still working to obtain evidence of ownership and title for this.	Partially implemented.

RESOURCES DIRECTORATE

Audit of FIXED ASSETS (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	Internal Audit testing noted that for one remaining property ie Stanwix Bank, Legal Services are still working to obtain evidence of ownership and title for this.	For the one remain property at Stanwix Bank, where no land registry title number exist, Legal Services should resolve the ownership and title for this.	Asset not owned by the Council.	B	Make application to HM Land Registry for registration of title to land.	Legal Services Manager	13 December 2013

APPENDIX E



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of Creditors 2012/13

Draft Report Issued: 28th March 2013
Revised Draft Issued: 19th August 2013
Final Report Issued: 2nd September 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Creditor Payments forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts. External Audit place reliance on the material reviews undertaken by Audit Services as part of their work on the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Beverley Fisher.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources, Resources	Report to be noted.
Financial Services Manager, Resources	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Development & Support Manager, Resources	Report to be noted
Service Support Team Leader, Resources	Report to be noted
Principal Finance / Systems Officer	Report to be noted.

- 2.3. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at the next meeting on 26 th September 2013.

3. BACKGROUND INFORMATION

- 3.1. The overall objective of the Creditors system is to ensure that the right amount is paid to the right creditor at the right time.
- 3.2. Key aims of the service are:
- To ensure creditors are paid on time (performance targets for payment times exist to monitor this requirement);
 - To ensure that goods ordered are received in full and are acceptable quality;
 - To ensure that all authorised suppliers are treated fairly and responsibly; and
 - To ensure that cost effective procedures exist over the management and processing of payments – including payments are not made earlier than necessary and all applicable cost effective discounts are claimed.

Section 1 – Management Summary

- 3.3. The Service Support Team Leader, who, reports directly to the Director of Resources, oversees the operational duties and responsibilities of the Creditors Payments function. The central team within Support Services consists of 2 part time staff (1 FTE) whose main responsibilities involve overseeing the checking and authorisation of payments. The technical aspects of the function remain the responsibility of Financial Services.
- 3.4. The creditor payment process is initiated by the placing of an official order to an approved supplier and results in an authorised payment in respect of the order to that same supplier. The Council processes approximately 10,200 payments through the Civica creditor payment system each year, invoices for about half of which are input locally (i.e. by officers in directorates). These processing arrangements involve the raising of purchase orders, goods received/recorded, receiving/checking/matching invoices and the invoice certification process. Each directorate has authorised users responsible for these tasks. The number of invoices received and processed through the creditor payment system is reducing due to less expenditure being made and alternative payment methods such as consolidated invoicing from suppliers and electronic payments.

e-Purchasing

- 3.5. The use of e-purchasing has been in a pilot phase for a number of years and is limited to just 3 suppliers; 2 "catalogue" suppliers along with the limited use of "free text" ordering. An iterative upgrade to all financial systems including Creditors during February / March 2013, which allowed an upgrade from version 9.1 to version 13, is now complete and will, amongst other things, allow progress to be made in rolling out e-purchasing across the Council.
- 3.6. The invoice authorisation processes for electronic purchase orders is the same as all other invoices i.e. blue certification slip completed prior to invoice registration and payment.

4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	General Controls
2.	Ordering
3.	Receipt of Goods
4.	Invoice Verification
5.	Use of Billheads Pro Forma
6.	Payments
7.	Security of Data

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to Creditors which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to directorate's operational risk registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

Section 1 – Management Summary

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Creditors was previously carried out in 2011/12. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. There are still outstanding issues for address. These matters have been reviewed as part of the 2012-13 audit review and outstanding recommendations have been incorporated into Appendix B – Summary of Recommendations / Agreed Action Plan.

6. RECOMMENDATIONS

- 6.1. Each recommendation has been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

**A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

- 6.2. There are 6 recommendations arising from this review:

4 - Grade B
2 - Grade C

7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Creditors provide **reasonable** assurance.

Section 1 – Management Summary

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The reasonable assurance level given to an audit area is influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 8.2. Responsibilities for individual invoice payment transactions sit at directorate level. Transformational changes to services, team structures and officer responsibilities within directorates will have had an impact on these devolved creditor payment responsibilities. This is apparent through the level of change seen in authorised signatory listings. The weekly payment runs and reconciliation arrangements are undertaken centrally by experienced and knowledgeable officers who are able to deal with all aspects of the creditor payments function. Finance also provides valuable ongoing technical support to this function.
- 8.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 8.4. A key finding arising from this review concerns the corporate arrangements for making payments where an official supplier invoice is not available for processing. Whilst there is recognition of instances where payments in *very exceptional circumstances* need to be made against documents other than official invoices, Financial Procedures Rules should be reviewed and clarify these arrangements. The Purchase Ledger Procedures detailing these types of payment should be reviewed, updated and fully document for all to understand and apply.

Also, in such circumstances, it is essential that supporting documentation is provided to support these payments. Testing found that in many cases the reasons for the payment to be made in this way is not clear and evidence to support the payment is not routinely attached.

- 8.5. The bulk of the purchase orders which result in an invoice for payment are manually produced and require matching to an official supplier invoice. Detailed testing of each stage of the purchase order and payment process has highlighted some slippage in terms of compliance to agreed procedures at the ordering stage of the process. The key issues arising from this testing are:
- Goods/services received are not always matched and the details cross checked to the original order before payment is authorised.
 - Orders are being raised after the invoice is received;
 - Purchase orders are not always signed by an authorised signatory.
 - Lack of evidence that 'goods received' part of the invoice certification process is not being completed in full.

The above issues are a result of system controls not been consistently applied and these are the enforceable by officers within directorates who have authorised signatory responsibilities.

Adherence to these controls would be significantly strengthened across all Council directorates by further training / guidance to staff along side the wider implementation of the corporate e-purchasing system. This matter is discussed further at 8.7 below.

- 8.6. The Council should also look to further enhance measures in place to control and check changes to the Creditor master file to protect against inaccurate and potential fraudulent requests to change supplier payment details.

Section 1 – Management Summary

8.7. Electronic Purchasing System

- 8.7.1. The intended moved from a manual corporate purchase ordering (and payment) system to electronic purchasing arrangements has been pending for a number of years and little progress has been made to move this forward. This matter was formally raised in the 2010/11 audit of creditor payments and again in 2011/12. The reasons for the lack of progress is due to lack of resources available to carry out the project, transformational changes which have resulted in service restructures and changes to approved officers for purchase order and invoice authorisation purposes and a delay in the upgrade of the Civica suite of financial systems. The recent upgrade of the financial systems will, in part, enable the Council to progress the e-purchasing system corporate roll out
- 8.7.2. The implementation of strict measures concerning purchase ordering and authorisation (privacy groups) and completion of goods received, along with the potential to electronically match invoices received to purchase order raised, will help to significantly strengthen system controls, aid compliance to agreed creditor payment procedures and also improve accountancy practices to include commitment accounting and enhanced budget monitoring arrangements. The benefit of a more streamlined process from the initial order through to payment will also automate processes through improved system integration (between e-purchasing, main accounting and creditor payments system interfaces) and may also reduce the amount staff resource needed in respect of procurement and creditor payment processes within departments.
- 8.7.3. It has always been the Council's intention to roll out the use of the e-purchasing system and it is now essential that it is able to progress with this system implementation without further delay. A project group has been established to oversee this implementation programme and Internal Audit will support this project via 'hot assurance' audit work throughout 2013/14 as required by the project manager.

RESOURCES DIRECTORATE

AUDIT FOLLOW UP OF CREDITORS
Final report issued 26TH June 2012

SUMMARY OF PREVIOUS RECOMMENDATIONS

REF	RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED (Completed by Audit Services)
R1	<p>System administrators should implement a robust and holistic approach to ensure system users and user accesses are appropriate. It is suggested that the following be actioned:</p> <ul style="list-style-type: none"> - Every six months a system administrator should circulate a list of users and associated access levels (with an explanation of what each access level enables a user to do) to service managers requesting them to confirm that the access and access level granted to each of their staff is appropriate (and not excessive) to allow them to undertake their duties and responsibilities. I.e. this should pick up leavers, staff transferred to another post within the Council, pool staff, name changes and maternity leave etc; - Access to the system should be granted through service manager request and not the request of the member of staff wishing to have access. In the absence of the service manager a deputy manager or senior employee to request the access on the individuals behalf; - There should be a review of the number of staff designated as system administrators. Ideally there should be the minimum number 	B	<p>In the process of formalising requests for access to all systems and regular monitoring will be incorporated into this process and these recommendations will be considered as part of this.</p> <p><u>Comment from Financial Services Manager.</u></p> <p>Satisfied. Much of this recommendation (R1) has been superseded by the 2012/13 Internal Audit review of Systems Administration.</p> <p>Will circulate list for the Financial system upgrade in late February 2013.</p> <p>Service users only register invoices in the Creditors system. The information entered is checked by Creditors staff during the authorisation process. Part of this process is ensuring that the documents have been certified by an appropriate authorised signature for the service. No payments are made without this control process.</p>	<p>This matter has been reviewed as part of the wider audit on Systems Administration. There were no specific issues relating to Creditor Payments arising from this review.</p>

	<p>possible assigned to this role but sufficient to ensure that there are appropriate cover arrangements in case of any absence; and</p> <p>On receipt of service manager confirmation or request appropriate amendments to users/user access levels are made by the system administrator and the documentation is retained as evidence to reflect the system accesses/access levels applied to and within the system.</p>		<p>The number of system administrators is not excessive as it provides sufficient cover for part time working, absences etc. External audit were satisfied in January 2013</p> <p>Will retain replies from managers when lists are circulated.</p>		
R2	<p>Authorising officers should be reminded of their obligations under the financial procedure rules to ensure all relevant information and details are sought and entered onto the corporate order form.</p>	B	<p>This forms part of the annual Budgetary Control training and a further reminder was issued to all staff in November 2011.</p> <p>This will also be rectified with the forthcoming wider implementation of the e-purchasing system in mid – 2012. The Council is moving to the latest release of software to ensure optimum performance and wider integration is obtained.</p> <p><u>Comments from Financial Services Manager.</u></p> <p>Satisfied – use of e-learning package as a training tool to supplement the normal training session will also be considered.</p> <p>This is covered as part of the budgetary control training provided each year and Creditor users are reminded by e-mail each year that an order and certification slip should be attached to the invoice. The rollout of electronic ordering after the Purchasing system upgrade will ensure</p>	No – See Section 9.2. of the main report and recommendation R2.	

APPENDIX A

			orders are completed correctly.	
R3	Section managers within Local Environment should improve the timeliness of invoice payments in their respective services areas as the existing volume of late payments adversely affects the Council's overall performance target.	B	Raised with managers in Highways, Street Scene and Waste. Contractor Plus no longer being used.	No – There matter is connected to a wider issue discussed at 9.3.7 (see also para 9.5.14) of the main report and recommendation R5.
R4	It would be beneficial to upgrade the Creditors system to enable the Construction Industry Scheme monthly returns file to be submitted electronically via the Government Gateway.	C	<p>The Council is moving to the latest release of the live Financials software to ensure optimum performance and wider integration is obtained. The upgrade to the latest version is currently being tested but the recommendation will be acted upon once the upgrade is complete. This is expected to be May 2012 and therefore electronic submissions will follow this completion date.</p> <p><u>Comments from Financial Services Manager.</u></p> <p>Satisfied – Work in progress which will be implemented after the creditors system upgrade. This will be monitored by the Financial Systems Group and reported through the Financial Management Team.</p> <p>Creditors system upgrade scheduled for late Feb 2013. Financials system group will continue to meet after the upgrade in order to implement enhancements available in later releases including the electronic submission of CIS Returns.</p>	Not examined in 2013-13 but sufficient action looks to have been taken to address this matter.

RESOURCES DIRECTORATE

Audit of Creditors

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	The Council should look to further enhance measures in place to control check changes to the Creditor master file to protect against potential fraudulent requests to change supplier payment details.	<p>The Council should look to further enhance measures in place to control changes to the Creditor master file to further protect against fraudulent requests to supplier payment details:</p> <ul style="list-style-type: none"> - Independent checks undertaken in Financial Services are in place but these require documented evidence and the outcome to be relied upon. - Any requests to change creditor master records i.e. company name, address, payment method or bank details, the Finance Assistant should ask the Creditor additional security questions to further confirm their identity e.g. details of previous payments made by the Council to their organisation. 	<p>Unauthorised changes to core creditor payment processing information.</p> <p>Fraudulent payments may result.</p>	B	Enhanced controls to improve current practice will be considered for formally adoption and reflected in relevant procedure manuals as necessary.	Financial Services & HR Manager	Immediate effect
R2	Expected controls in respect of manually raising purchase orders, authorisation and matching for payment are not	Authorising officers should be reminded of their obligations under the Financial Procedure Rules to ensure all relevant information and details are sought and entered onto the corporate order form accordingly and matched to the invoice	<p>Non compliance with the Council's Financial Procedure Rules.</p> <p>Authorisation of</p>	B	A further reminder will be issued to all authorising officers and to all budget holders	Financial Services & HR Manager	Sept 2013

APPENDIX C

	consistently and routinely applied. This level of control sits within directorates and authorising officers should be actively rejecting payments which do not conform.	upon receipt. They should also be reminded that they are expected to reject invoices for payment which do not conform.	invoices is not recognised.		and system users advising them of their obligations in accordance with the Purchase Ledger Procedures.		
R3	Goods Received is an integral part of the purchasing process but there is evidence that it is not always actively complied with and enforced.	The check of goods/services received should always be completed on the invoice certification slip. Wherever applicable, the Goods Received Note should be attached to the original order retained in the order book. The invoice details should always be checked by an appropriate officer with knowledge of the original order and Goods Received Note before payment is made.	Non compliance with the Council's Financial Procedure Rules. Goods / services received may be incorrect to the original order or not received but payment may still be processed.	B	A further reminder will be issued to all authorising officers and to all budget holders and system users advising them of their obligations in accordance with the Purchase Ledger Procedures.	Financial Services & HR Manager	Sept 2013
R4	The certification of invoices (i.e. the approval to pay) is sometimes initialled rather than the full signature being provided as per the specimen signatory list	Authorising officers should be reminded to use their full signature, as provided on the specimen signatory list, where verifying / approving invoices for payment.	Authorisation of invoices is not recognised.	C	A further reminder will be issued to all authorising officers and to all budget holders and system users advising them of their obligations in accordance with the Purchase Ledger Procedures.	Financial Services & HR Manager	Sept 2013

APPENDIX C

R5	Some sections with the Local Environment directorate have different invoice processing arrangements to those which are applied corporately.	Financial Services should encourage the Local Environment directorate to receive and process their own invoices without additional support from Support Services.	Lack of consistency in applying corporate invoice processing procedures; Reduced accountability within the Local Environment directorate	C	This practice will be reviewed as part of the e-purchasing project plan.	Financial Services & HR Manager	Spring/ Summer 2014
R6	The arrangements for making payments where an official supplier invoice is not required needs to be further clarified within the Financial Procedure Rules and detailed in the Purchase Ledger Procedures and to ensure all staff understand the requirements and additional controls in place to make such payments.	Financial Services should take action to clarify and strengthen the arrangements in place which enables payments to be made where an official supplier invoice is not applicable. Specifically: <ul style="list-style-type: none"> Financial Procedure Rule D.76 should reviewed and clarify the arrangements of 'exceptional circumstances' where an official invoice is not present is required. The Purchase Ledger Procedures should be reviewed and updated to detail: <ul style="list-style-type: none"> the controls in place to process and make payments when not having an official invoice to process. ie appropriate use and controls of using existing billhead pro-formas etc. the additional measures to enable such payments to be made (e.g. additional level of authorisation and types of supporting documentation required to support the 	Lack of clarity around payments with no official invoice. Payment procedures (via billhead pro formas) are not defined and documented. System is open to abuse and fraud. Payments made which are not sufficiently supported / evidenced. Potential for incorrect / unapproved payments.	B	The FPR's are reviewed on an annual basis; this recommendation will form part of the next review.	Financial Services & HR Manager	Autumn 2013

APPENDIX C

		<ul style="list-style-type: none"> payment). <ul style="list-style-type: none"> unsupported requests should be rejected for payment by the Service Support team. 						
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SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
LOCAL ENVIRONMENT DIRECTORATE**

**ON:
Audit Follow Up of The Carlisle,
& Currock Cycleway Project – Lessons Learned**

Draft Report Issued: 27 June 2013

Final Report Issued: 4 September 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit follow up of the lessons learned review of The Carlisle & Currock Cycleway Project (aka Connect2 Cycleway Scheme), which was originally reported in July 2012, is included in the agreed 2013/14 Audit Plan.
- 1.2. The purpose of this review is to perform a detailed follow up audit to ensure that all recommendations have been actioned to a satisfactory level.

2. BACKGROUND INFORMATION

- 2.1. The July 2012 review of The Carlisle & Currock Cycleway Project - Lessons Learned reported that the original scheme was considered to be a highly ambitious project which was awarded in a more prosperous economic climate. The review highlighted a number of issues that included:
 - a lack of initial funding which should have been considered a risk to the Council;
 - there appeared to have been a lack of attention to the detail within the Memorandum of Understanding; a detailed legal document which covered specific terms and conditions of the funding and requirements imposed on the contracting parties.
 - the project management arrangements were not properly established from the outset and the arrangements in place led to a number of growing concerns regarding progress made against expected plans, timeliness of delivery, adequacy of support funding and ongoing buy in / support to the Scheme. Key 'project management' lessons learned included:
 - Project Documentation: the position could not be fully established due to the lack of documentation available for examination. There were also issues surrounding the actions taken to internally report project concerns to key officers and members;
 - Staffing Resources and Funding Issues - the Scheme was a sizeable project and officers involved in its delivery progressed this in tandem with their other duties. This was recognised as a challenging task for all concerned;
 - Established Project Group and Sponsor – there was a lack of general project ownership, particularly surrounding the responsibility for progression and monitoring arrangements prior to the Scheme being placed 'at risk'. Also, without a defined and supportive Project Group, there was a lack of detailed planning including resource availability, progress reporting and accurate costings. Scheme timescales/events were not adequately recorded and progressed and there was an insufficiently detailed audit trail of events. The Project Sponsor role was also not clearly defined throughout the life of the project.
 - Project Timescales - the Scheme had what was considered to be a generous 5 year timescale attached to its delivery but it was questionable whether sufficient progress had been made in the time which has elapsed when the project was placed into special measures.
 - Support from Other Parties - the County Council was supportive in the Scheme's progress but there was a lack of stakeholder/public involvement as a key steering group, which was to be led by the County Council, had not been set up in accordance with the agreed Memorandum of Understanding. This was considered a key driver to the success of the cycleway and the lack of such a steering group was seen as a missed opportunity in terms of ongoing support to the Scheme;

Section 1 – Management Summary

- Exit Strategy - the City Council should have fully considered the implications of the exit strategy detailed in the Memorandum of Understanding which were duly applied in the wind up of the Scheme. This included the financial and reputational risks likely to emerge from such action taken and the opportunity to move to an independent arbitration should it have been required; and
- Risk Management - there was insufficient consideration of project risks from the initiation of the Scheme, when the project was 'live' and when it was placed 'at risk'.

- 2.2. A detailed action plan was agreed which addressed these key issues arising from this initial audit review. The final audit report was considered by the Audit Committee in July 2012 and it was agreed that a formal follow up of the recommendations would be carried out by Internal Audit during 2013/14.

3. SCOPE AND OBJECTIVES

- 3.1. The audit review of the Carlisle & Currock Cycleway Project - Lessons Learned was previously awarded a restricted assurance level.
- 3.2. Follow up audit testing and verification has been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The areas examined are detailed as follows:
- Revised Cycleway Action Plan and Funding requirements
 - Cycleway Steering Group
 - County Council Adoption of Lengths of the Cycleway
 - Currock Railway Bridge
 - Project Management Arrangements

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 4.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 4.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of

Section 1 – Management Summary

	internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this follow up of The Carlisle & Currock Cycleway Project - Lessons Learned, we consider the current controls operating within provide **Reasonable** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Revised Cycleway Action Plan and Funding Requirements	Substantial	-	-	2
7.2	Cycleway Steering Group	Substantial	-	-	-
7.3	County Council adoption of lengths of the cycleway.	Substantial	-	-	1
7.4	Currock Railway Bridge	Substantial	-	-	-
7.5	Project Management Arrangements	Reasonable	-	3	2
Overall Evaluation / No. of Recommendations		Reasonable	-	3	5

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The **Reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Areas of good practice noted:*
- a team of very experienced staff; and
 - that there is continuous improvement in the project management arrangements within the Authority with the introduction of the new Corporate Programme Board "CPB" and the recent implementation of SharePoint project management software.
- 6.3. It is concluded that sufficient progress has been made to implement the 8 previous audit recommendations: 4 have been implemented and 4 have not been fully implemented. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 - Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 6.4. It is recognised that the progress and completion of the Carlisle & Currock Cycleway Project Revised Action Plan is dependent on funding becoming available. Once funding is received a cycleway project is established and a project manager is appointed to manage and report on the progress of the project to a Project Sponsor and where appropriate the CPB. The key issues arising from this audit review focussed on issues to further strengthen the project management arrangements of these individual cycleway projects– specific matters to address fall under 3 key areas:
- Reporting Format - there is no evidence that the Guide to Project Management Check Sheet and standard forms have been approved in accordance with corporate project management arrangements and project issues and exceptions logs are not reported as expected.

Section 1 – Management Summary

- Risk Management - project risk management arrangements need to be strengthened by ensuring that all key project risks are fully considered (eg future ownership of cycleway routes for maintenance purposes) and that a risk owner has been identified for each risk listed on the project risk register; and
- Corporate Guidance - there is no guidance provided to Project Sponsors and Project Managers to define their delegated authority on projects i.e. approving project plan etc, when there is no project board appointed, nor is there guidance for project managers to define the CPB's definition of a "a major project issue to be reported".

REPORT DISTRIBUTION

The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Local Environment	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Highways Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Director of Resources	Report to be noted.
Building Projects Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan
Policy & Communications Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan

Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 26 th September 2013.

LOCAL ENVIRONMENT DIRECTORATE

Audit Follow up of The Carlisle & Currock Cycleway Project – Lessons Learned (2013/14)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	<p>The availability of funding is the key factor which restricts future progress of completing the cycleway scheme project.</p> <p>In Internal Audit's opinion the issue that the cycleway scheme project will not be completed as it is dependent on funding becoming available requires to be reported to the CPB.</p>	<p>The Director of Local Environment should ensure that the funding arrangements and restrictions on moving the Carlisle & Currock Cycleway Project 2012 Revised Plan forward is reported to the CPB that the cycleway will not be completed within a defined period as it is dependent on funding becoming available.</p>	<p>CPB are not informed of funding developments project priorities to complete the cycleway scheme project.</p> <p>Funding may be received and project resources not identified.</p>	C	Agreed.	Director of Local Environment	23 October 2013
R2	<p>It was noted that cycleway once funding is received for the core or aspirational routes there is no evidence on the Carlisle & Currock Cycleway Project April 2012 Revised Plan of the date funding is received and the project's timescales reported to the Project Sponsor and where appropriate Corporate Programme Board.</p>	<p>Once funding is received, the Carlisle & Currock Cycleway Project 2012 Revised Plan should be updated to record the date it is received and the project timescales reported to the Project Sponsor and where appropriate the Corporate Programme Board.</p>	<p>Funding may be received and project resources not identified.</p>	C	<p>Agreed. The Project Plan will be updated each time any funding for the Project is received and the date of receipt will be noted. The Director of Local Environment, the Project Sponsor, will be advised of any such funding being received.</p>	Highways Manager	August 2013

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R3	<p>The arrangements in place to record the formal adoption of the cycleway by Cumbria County Council should be properly recorded to ensure transparency and completeness.</p>	<p>Cycleway adoption reports to the joint Carlisle City and County Council Highways & Transport Working Group to recommend adoption for maintenance purposes should be retained centrally. The Carlisle & Currock Cycleway Project 2012 Revised Plan should be updated to show the date of the adoption request to the joint Carlisle City and County Council Highways & Transport Working Group and the date the Local Committee approved adoption.</p>	<p>Uncertainty over the 'ownership' of the cycle way and potential ongoing maintenance costs which need to be met by the City Council.</p>	C	<p>Agreed. Any reports sent to the HTWG regarding adoption of the cycleway are retained centrally by the Executive Assistant and also by the County Council. At the meeting of the HTWG on the 12th August 2013 it was recommended that the remaining completed sections of Cycleway which have been constructed between Holmehead and Viaduct estate Road should be adopted, excluding the Railway Bridge over the Caldew. When adoption is approved the Project Plan will be updated. It is then likely to be some considerable time before other sections are ready for adoption.</p>	Highways Manager	August 2013
R4	<p>There is no evidence that key project control documents / templates used by the Resourcing Planning Manager have been approved and are in accordance with corporate project management</p>	<p>The project management arrangements for cycleway projects should be reviewed and approved by the Corporate Programme Board in accordance with corporate project management arrangements.</p>	<p>Non compliance and breach of corporate project management arrangements.</p>	B	<p>Agreed. Key control documents have been reviewed and are now used in accordance with CPB requirements.</p>	Policy & Communications Manager	April 2013?

APPENDIX B

arrangements.								
R5	<p>Project highlight and exception reporting are not sufficiently presented. Such matters are contained within the main report, but they are not sufficiently summarised on the face of the report. This leads to concerns that key issues maybe missed or overlooked.</p> <p>For example - the Castleway Cycle Ramp Project had no evidence to show that an issue and exception log had been completed and matters had not be sufficiently identified in the monthly Highlight progress report to the Corporate Programme Board.</p>	<p>A project issues and exceptions log should be completed for each project and the Project Management Check Sheet and standard forms should be updated to include these.</p>	<p>Issues and exceptions may be overlooked and not escalated therefore remain unresolved and further project risks may arise.</p>	B	<p>Agreed. Amend Doc.028 on Project Management W drive proforma, to include Exception and Issue Log considerations.</p> <p>Create Exception Report and Issue Log proforma on W Drive.</p> <p>Transfer elements as necessary to Main monthly Report Doc.028</p>	Building Projects Manager	26/07/13	5/08/13 Monthly
R6	<p>There is no evidence to indicate whether identified risks on the project risk register are routinely reviewed.</p> <p>Also, there is no risk referring to the uncertainty over the future 'ownership' of the cycle way and ongoing maintenance costs and a risk owner is not always identified for each</p>	<p>A risk owner should also be identified and recorded against each risk on the risk assessment and the risk register should be updated throughout the projects life. Wider consideration of the risk detailing the uncertainty over the future 'ownership' of the cycle way and ongoing maintenance costs should also be detailed in all cycleway project risk registers.</p>	<p>Risks may remain unaccounted for and not regularly reviewed.</p> <p>No ownership of risks identified and therefore not properly managed.</p>	C	<p>Agreed. Amend Doc.026 on Project Management W drive proforma, to include Ownership and status.</p> <p>Update current Risk log to include new criteria.</p> <p>Regular reviews as necessary</p>	Building Projects Manager	26/07/13	5/08/13 As necessary

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	risk listed.						
R7	<p>With no project board established for the Castleway Cycle Ramp Project, documented evidence to define delegated decision making authority (i.e. approved the project plan, authorise to the next stage etc) should be in place.</p> <p>Where changes were made to project timescales, costs, project requirements etc there is no evidence regarding the level of delegated authority which had been approved to enable the Resourcing Planning Manager to approve these changes.</p>	<p>When no project board is appointed the delegated authority to the Project Sponsor and Project Manager should be clearly defined i.e. approving project plans, changes to project requirements and project timescales, costs etc.</p>	<p>Unauthorised decisions maybe taken detrimental to the project.</p>	B	<p>Agreed. CPD have agreed a new Project Lifecycle which deals with this issue. The Directorate and the regular DMT meetings link in with the CPD.</p> <p>The Lifecycle includes the monitoring of projects through the Directorate DMTs and CPB. This is particularly important when no project board is appointed.</p>	Policy & Communications Manager	July 2013
R8	<p>What constitutes as a major project issue and the impact of such an issue should be more clearly defined for future reporting to the Corporate Programme Board.</p> <p>For example - the December 2012 PAG progress report for the Castleway Cycle Ramp project recorded some problems and delays in completing project tasks but</p>	<p>Guidance should be provided to project managers to define what is considered "a major project issue" to be reported to the Corporate Programme Board i.e. changes to project plan, timescale and cost.</p>	<p>Confusion and inconsistencies in reporting project issues may result incorrect decisions being taken.</p>	C	<p>Agreed. Clear matrix for projects now in place. This links to the lifecycle and the level of control required by the CPD.</p> <p>The scoring matrix is completed with advice from Programme Office.</p> <p>Project Managers are reminded that guidance</p>	Policy & Communications Manager	Existing document amended in May 2013 November 2013

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it did not highlight the impact of these on the project timescales i.e. a 5 month delay should have been reported as a project issue to the PAG.				on a major project issue is available in the Prince2 manual (CS4 Examining Project Issues). The project manager is expected to begin the evaluation of the impact of the issue using the key criteria (7.7.6). Details will be included in the handbook.		
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APPENDIX G



SHARED INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

**FOR:
RESOURCES DIRECTORATE**

**ON:
IT Business Continuity**

**Draft Report Issued: 11th April 2013
Revised Draft Issued: 6th June 2013
Final Report Issued: 9th July 2013**

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of IT Business Continuity was identified for review as part of the agreed Audit Plan for 2012/13.

2. BACKGROUND INFORMATION

- 2.1. Service Continuity in the context of this review is 'business continuity'. As with all IT strategies, the Council makes the decisions which decide what parts of its business are priorities and the IT provision required to support the continuity of the business.
 - 2.2. Although distinct, the business continuity arrangements have been examined alongside disaster recovery planning as both determine the IT service continuity requirements.
 - 2.3. The Council's ICT provision is currently operated as Shared Service with Allerdale Borough Council. This review was carried out as a joint appraisal by Cumbria County Council (acting on behalf of Carlisle City Council) and Allerdale Borough Council.
 - 2.4. IT continuity planning is the process that ensures continuous operations of business applications and supporting IT systems (i.e., desktops, servers, applications, printers, network devices etc.).
 - 2.5. Industry best practice advocates that IT continuity planning should be a subset of enterprise business continuity planning.
 - 2.6. A Business Continuity Plan (BCP) is an enterprise-wide group of processes and instructions to ensure the continuation of business processes in the event of an interruption. It provides the plans for the enterprise to recover from minor incidents (e.g., localised disruptions of business components) to major disruptions (e.g., fire, natural disasters, extended power failures, equipment and/or telecommunications failure).
 - 2.7. An IT Continuity Plan (ITCP) addresses the IT exposures and solutions based on the priorities and framework of the Business Continuity Plan.
- How this review assists the Council to achieve its goals
- 2.8. Provides the Council with an evaluation of the IT function's preparedness in the event of a process disruption.
 - 2.9. Identifies issues that may limit interim business processing and restoration of same.
 - 2.10. Provides an independent assessment relating to the effectiveness of the ITCP and its alignment with the corporate BCP.

3. SCOPE & OBJECTIVES

- 3.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key objectives for review were to ensure that:
 - A Continuity Framework and Policy has been developed.
 - Business recovery needs and the drivers for development of an IT Continuity Plan (ITCP) plan have been identified
 - An ITCP has been established to reflect the Corporate Business Continuity Plan (BCP)

Section 1 – Management Summary

- The ITCP is complete and addresses the business continuity requirements defined in the BCP.

- 3.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 3.3. The scope and testing undertaken as part of this review reflects inherent risks specific to IT Business Continuity and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 3.4. This review has been performed in accordance with ISACA (previously known as the Information Systems Audit and Control Association) audit and assurance standards.

Scope Limitations

- 3.5. A full assessment of the Council's Business Continuity (BC) arrangements relies on the existence of both a Business and an IT Continuity Plan.
- 3.6. The IT BC arrangements are considered only from a Carlisle City Council perspective.
- 3.7. The recommendation made in Report RD.52.12 - Improvements to the Provision of ICT Services was approved by the Council Executive towards the end of this review (19/11/2012). The implications of this decision on the Council's IT Continuity Planning have not been assessed and may need to be followed up in a separate review.
- 3.8. Policy, standards and guidelines related to and implementation of the business continuity plan are outside the scope of this review.

Standards and best practice guides considered as part of this review

The following external standards were considered during the undertaking of this review:

- ISACA IT Continuity Planning Audit/Assurance Program;
- ISACA IT Assurance Framework (ITAF)
- Control Objectives for Information and Related Technology (COBIT)
- Committee of Sponsoring Organizations of the Treadway Commission (COSO)

4. RECOMMENDATIONS AND STATEMENT OF ASSURANCE

- 4.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.

- 4.2. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.

Section 1 – Management Summary

Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Partial	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

5. EVALUATION AND RECOMMENDATIONS ARISING

- 5.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within IT Business Continuity provide **Partial** assurance.

Report Ref	Control Area	Evaluation	Recommendations		
			A	B	C
7.1	Continuity Framework and Policy	Reasonable			2
7.2	Business Assessment of Contingency Planning Arrangements	-			
7.3	Integration of Business Continuity and IT Continuity Plans	Reasonable		1	
7.4	IT Continuity Plan	Partial		5	2
Overall Evaluation / No. of Recommendations		Partial		6	4

6. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 6.1. The **Partial** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 6.2. *Areas of good practice noted:*
- The Council has established a business continuity management team to maintain the business continuity process and the business continuity function includes representatives from affected business areas.
 - BCP team member roles and responsibilities have been assigned at an appropriate level of authority to carry out responsibilities and the team has appropriate executive sponsors.
 - The Council has utilised risk analysis to determine the Business Continuity (BC) strategy and recovery plans.
 - The Council has developed a corporate-wide Business Continuity Plan (BCP).
 - Some essential components of IT continuity planning are in place. For example, IT maintains details of the network configuration and a database of hardware assets. Backups are stored at an offsite location and a suitable recovery site has been identified which incorporates active links to the corporate voice and data network.
 - The Council also has access to mobile phones, radios and satellite phones to provide backup communications.

Section 1 – Management Summary

- Additional network resilience has been achieved by creating new high speed data links between Carlisle, Whitehaven and Workington.
- The implementation of a virtualised server environment has greatly enhanced the availability of critical applications and data.

6.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.

6.4. The key issues arising from this review are:

- The ICT Service acknowledged during the audit that the lack of an IT Continuity Plan and IT Recovery Plan is a significant issue. As a result, they have already begun making the necessary steps to put a project team together to address these concerns and other matters raised in this report.

Whilst some essential components of IT continuity planning have been identified, the Council does not possess a comprehensive IT Continuity and Recovery Plan to address the Business Continuity requirements of the corporate BCP. The consequence of this is that the Council does not possess a formal roadmap to maintain adequate business operations and service levels with diminished IT resources following a disaster.

- The recovery of critical IT systems is fundamental to the restoration of Council business and services following a major outage or disaster. However, applications which are critical to the Council's business have not been identified. The Council needs to assess the impact which the absence or unavailability of key applications would have on the business and use this information to define Recovery Time Objectives (RTO's) and Recovery Point Objectives (RPO's) for each application. RTO's and RPO's should be used as a baseline to construct a prioritised recovery strategy which supports the immediate needs of the business following a disaster.
- There is a perception that the experience and knowledge gained during the flood of 2005 would enable IT to successfully recover the IT environment following any future disaster. However, the current IT continuity arrangements place an over reliance on the availability and knowledge of the Council's existing ICT personnel. The unavailability of key IT personnel and the lack of formal IT continuity and recovery documentation have the potential to jeopardise the recovery of the Council's IT environment in a disaster situation.
- The ICT team possess some recovery procedures which, if extended, have the potential to provide a foundation for an effective IT continuity and recovery plan. However, in their current form, it is questionable if the procedures are detailed enough to allow non-corporate IT personnel to carry out the same tasks efficiently if required to do so in a recovery situation.
- The effectiveness of disaster recovery plans relies on the documented results and outcomes of tests and the Council needs to ensure that an effective maintenance and testing schedule is incorporated into an IT Continuity Plan. Test schedules should be based on the established recovery priorities and must include the recovery of critical business application processing and not be limited to a recovery of the infrastructure. IT continuity tests should be conducted on a regular basis or after major changes in the IT infrastructure or to the business and related applications. Where testing is not feasible or may impact on on-going business, the Council needs to evaluate an alternative means for ensuring resources for business continuity.

REPORT DISTRIBUTION

The audit report has been distributed to the following officers.

Recipient	Action Required
ICT Shared Services Manager (Resources Directorate)	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
ICT Team Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
ICT Lead Officer	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Policy and Performance Officer (Chief Executives Team).	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.

Other recipients of the final report:

Director of Resources	Report to be noted.
Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 22nd July 2013.

RESOURCES DIRECTORATE

Audit of IT Business Continuity (2012/13)

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	RISK IF NOT ACTIONED	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE TO BE FULLY ACTIONED BY
R1	The BCP does not include the date of acceptance or date of review.	The Corporate BCP should show the date of acceptance or date of review on the front cover.	Difficult to manage version control of the document.	C	Incorporate a date of acceptance and review date on the front cover of the Corporate BCP.	Policy & Communications Officer	31.3.2014
R2	The BCP revision history does not include details of revisions made to the plan.	The Corporate BCP revision history should include details of the revisions made.	A full audit trail does not exist for changes made to the document.	C	Incorporate the revision history within the Corporate BCP.	Policy & Communications Officer	31.3.2014
R3	A formal IT Continuity Plan does not exist	Recovery of IT systems is fundamental to the restoration of Council business and services. Therefore, IT Continuity arrangements should be documented in a separate IT Continuity Plan which supplements and addresses the requirements of the BCP.	Lack of a formal roadmap for recovery of IT operations in the event of a disaster.	B	Interim IT CP has now been created with copies held in secure locations. Integrate existing individual systems documentation: application, infrastructure & security instructions into chronological order within an ITCP.	ICT Lead Officer	31.3.2014

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R4	Critical steps required to recover the communications environment do not exist.	Critical steps for recovering the communications environment should be documented in an ITCP and Recovery Document.	Steps required to recover communications are not recorded. Lack of documentation places a reliance on the knowledge of key IT staff that may not be available in a recovery situation.	B	Integrate the existing CISCO call manager instructions into the ITCP & recovery documentation. (Contained within interim IT CP)	ICT Lead Officer	31.3.2014
R5	An inventory list of telecommunications equipment required by critical applications does not exist	Create an inventory list of telecommunications equipment required by critical applications	An overall hardware inventory exists but this would provide a useful recovery document and aid compliance with industry best practice.	C	Incorporate the existing telecommunications inventory lists into the ITCP. (Contained within interim IT CP)	ICT Lead Officer	31.3.2014
R6	An inventory list of hardware required by critical applications does not exist	Create a hardware requirements inventory list for critical applications.	An overall hardware inventory exists but this would provide a useful recovery document and aid compliance with industry best practice.	C	Incorporate the existing hardware inventory lists into the ITCP. (Contained within interim IT CP)	ICT Lead Officer	31.3.2014
R7	A list of critical applications and their dependencies does not exist.	A list of critical applications, systems they depend on and vendor information should be defined. This list should identify: <ul style="list-style-type: none"> The prioritisation of applications to be recovered. The system (server etc.) on which each application is loaded and running, and the physical location of that 	Possible indecision or confusion over recovery priorities. Lack of documentation places a reliance on the knowledge of key IT staff that may not be available in a recovery situation. The non-availability of a critical system will have an impact on the overall	B	Discuss and agree with the organisation & critical application & system restoration priorities. Incorporate the agreed priorities into the ITCP. This will include:	ICT Lead Officer (with the Policy & Communications Officer)	31.3.2014

		<ul style="list-style-type: none"> system. Operating system Release, version level, etc. service pack level, etc. Serial number (if any) Platform Vendor contact info Key user details Links to system documentation <p>This information should be reviewed annually.</p> <p>In addition:-</p> <ul style="list-style-type: none"> Recovery Time Objectives (RTO's) should also be established for all critical applications and systems. Recovery Point Objectives (RPO's) should be established for all critical applications to provide guidelines for the time required to restore or provide interim services and existing backup regimes should be assessed to confirm that they can meet the chosen RPO. Procedures to address the recovery of data lost between the last backup 	<p>service RTO.</p> <p>Backup schedules may not reflect the tolerable data loss for the service.</p> <p>Data transactions which have occurred between the last backup and a disaster are lost.</p> <p>No documented strategy for the recovery of critical applications.</p> <p>Lack of documentation places over-reliance on knowledge and experience of IT personnel who may not be available following a disaster.</p>	<ul style="list-style-type: none"> The prioritisation of applications to be recovered. The system (server etc.) on which each application is loaded and running, and the physical location of that system. Operating system Release, version level, service pack level, etc. Serial number (if any) Platform Vendor contact info Key user details Links to system documentation <p>RTO's to be agreed with the organisation for critical applications aligned to ICT system restore / recovery times</p> <p>Strategy / procedures to recover data lost between time of</p>	
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R8	<p>and the time of disaster should be developed and documented. For example, the use of virtual server snapshots, migration or failover and other traditional backup methods.</p> <p>A recovery strategy should be defined for each critical application. This should include a recovery job schedule to show the recovery sequence of the applications and tie in with the RTO's and RPO's defined by the Council.</p>	<p>Non-compliance with Disaster Recovery best practice.</p> <p>Over reliance on the knowledge of existing staff who may not be available following a disaster.</p> <p>Difficult for external IT contractors to assist with a recovery effort in the absence of key corporate IT staff.</p> <p>Recovery of key applications and systems is jeopardised.</p>	B	<p>incident and last backup to be discussed and agreed with the Council. Each application to have a recovery strategy which will include recovery sequence of the application aligned to agreed RTO's and RPO's defined by the Council.</p> <p>(Contained within interim IT CP)</p>	<p>Incorporate the existing computer room documentation into a formal IT recovery plan to include sufficient detail to allow non Council ICT professionals to implement.</p> <p>Procedures to include:</p> <ul style="list-style-type: none"> • IT environment overview (interfaces and functionality) • Recovery overview • Recovery 	<p>ICT Lead Officer</p>	<p>31.3.2014</p>
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		prerequisites (minimum hardware requirements, systems, manuals, firewall configurations, passwords) • Damage assessment • Recovery steps (physical, network, operating system, application, database) • Post recovery verification processes • Procedures for maintaining service in recovery mode • Procedures for transition to a primary recovery site Procedures for restoration to a permanent site • Means for notifying relevant personnel of		
	<ul style="list-style-type: none"> • Recovery prerequisites (minimum hardware requirements, systems, manuals, firewall configurations, passwords) • Damage assessment • Recovery steps (physical, network, operating system, application, database) • Post recovery verification processes • Procedures for maintaining service in recovery mode • Procedures for transition to a primary recovery site • Procedures for restoration to a permanent site • Means for notifying relevant personnel of telecommunications, power and platform outages • Arrangements for the immediate deployment of technical personnel in the event that primary personnel are not available 			

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					telecommunication s, power and platform outages Arrangements for the immediate deployment of technical personnel in the event that primary personnel are not available (Information contained within the interim IT CP will allow for recovery of services whilst recommendation is implemented)		
R9	Maintenance aspects must be incorporated into any future ITCP.	<p>The following maintenance aspects should be incorporated into any future ITCP:</p> <ul style="list-style-type: none"> The plan should be maintained through inclusion in the systems development methodology, routine review of plan components and linkage to BCP reviews and enhancements. The ITCP should be reviewed as part of all 	<p>The ITCP is not kept in line with business and system developments.</p> <p>The ITCP does not comply with industry best practice.</p>	B	<p>Design, incorporate and implement a maintenance schedule to be incorporated into the ITCP. The plan to be maintained through inclusion in systems development methodology, routine review and to be directly aligned to BCP reviews and enhancements. To be reviewed on each occasion of system and application</p>	<p>ICT Team Manager</p> <p>ICT Lead Officer</p>	31.3.2014

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R10	A testing regime must be incorporated into any future ITCP.	applications and systems enhancements	The effectiveness of the plan has not been proved. The ITCP does not comply with industry best practice.	B	enhancement. This will be included in the D & IS change management procedures currently being developed and introduced.	ICT Lead Officer	31.3.2014
		<p>A testing regime should be incorporated into any future ITCP:</p> <ul style="list-style-type: none"> The plan should be tested regularly and the tests should include a comprehensive verification of continuity processes and situational drills to test the assumptions and alternate procedures within the plan Stress Testing - The ITCP tests should utilise situational drills where resources are not available for the test, or the circumstances of the test are modified unannounced to verify the recovery team's ability to adapt to unplanned situations. Analysis of Test Results <ul style="list-style-type: none"> The results from the 			<p>A testing regime to be incorporated into the ITCP incorporating the following points / recommendations:</p> <ul style="list-style-type: none"> Regular testing Stress testing Review, analysis and communication of test results including BCP revision points. Testing of Recovery service levels to ensure compliance with BCP RTO's & RPO's according to BCP requirement. Frequency test schedule. 		

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					<p>plan tests should be analysed to identify issues that require BCP revision, additional training or additional resources.</p> <ul style="list-style-type: none">• Testing of Recovery Service Levels - Plan testing should include verification that the tests were completed within the intervals established in the BCP i.e. RTO's and RPO's, etc.• Test Frequency - The ITCP should be tested routinely, according to the policy, and the tests address the requirements within the BCP.				
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