

28th June 2010

Internal Audit – Annual Audit Report 2009/10

Report by Executive Director Finance & Performance

Executive Summary

The Committee is asked to consider the annual audit report for the year ended 31st March 2010 and to monitor the progress being made by services to implement high priority Internal Audit recommendations.

Recommendation

That the report be noted.

1. Introduction

- 1.1 This report sets out progress against the approved audit plan for the year ended 31st March 2010 and provides an audit opinion of the control environment based on audit work undertaken during the year.

2. Resource availability, allocation & jobs completed

- 2.1 Resources available after deduction of time not available for audit work, compared with planned, are shown in Appendix A.
- 2.2 The table shows that despite purchasing an additional 51 days of agency staff time, the total number of audit days available after training and leave was down by 170 days which has resulted in less non establishment reviews being delivered against plan. The reason for this shortfall relates mainly to sick leave and also staff turnover. The section has suffered three long term absences, one of which has continued through to the new financial year and is being closely reviewed.
- 2.3 On the basis of resource available, planned work has been prioritised whilst ensuring that coverage for core financial systems remains as per original plan. More time has been spent on other work which predominantly relates to increased resource in providing directorates with rolling reports on the status of recommendations. Future plans have been adjusted to take into account this change in emphasis.

3. Audit Opinion

- 3.1 Internal Audit is an assurance function whose primary purpose is to provide an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance.

- 3.2 The annual audit plan is prepared to take into account key areas of risk and was approved by the Board and RAAC. The internal audit plan is delivered in accordance with the CIPFA Code of Practice for Internal Audit in Local Government.
- 3.3 The level of assurance provided by Internal Audit is based upon:
- All audit reviews undertaken during 2009/10.
 - Follow up of actions against key audit recommendations made in 2008/09.
 - Management responses to findings and recommendations.
 - Effects of significant changes to the Council's systems.
 - The extent of resources available to deliver the audit plan.
- 3.4 With the exception of review reports, all audit reports include an assurance rating on the basis of the definitions shown in Appendix C. Individual assurance ratings help determine the overall audit opinion. Completed reviews that received a less than satisfactory assurance rating are summarised in section 4 of this report.
- 3.5 Audit Work has been undertaken to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work completed, **it is our opinion that the County Council has a satisfactory framework of control and risk management that provides a reasonable assurance regarding the economic, efficient and effective use of resources in achievement of its objectives. The opinion is qualified though as key weaknesses have been found in systems within the Adults and Children's' directorate and also in respect of core financial systems that have now transferred within the newly formed Customer Services directorate. There has however been improvements in the implementation of Internal Audit recommendations and several developments in particularly in respect of the implementation of Frameworki adults and children's management system and SAP are in progress and should address key concerns.**

4. **Summary of audit work undertaken**

- 4.1 A summary of the key issues arising from work undertaken during 2009/10 is provided below along with other significant audit work carried out.
- 4.2 In addition to the reviews listed below, Limited Assurance ratings were also given to audits in respect of 14+ Service Children Leaving Care, Agreed Staffing (Establishment Control) and Data Protection. Findings from these audits were summarised as part of the interim audit report presented to RAAC in November 2009.
- 4.3 **Crawley PFI schools (Facilities Management monitoring)**
- 4.4 The Public Finance Initiative (PFI) contract for Crawley schools has a contract value of £70m and a contract life of 30 years. The contract provided for a new school at Maidenbower 'Oriel High School', total replacement of Thomas Bennett Community College and Ifield Community College on their existing sites and ongoing facilities management at these schools. Audit review

considered the effectiveness of contract management arrangements and concluded that limited assurance could be placed on the controls in place.

4.5 Subsequent follow up to the audit report issued in June confirmed that all key weaknesses have been addressed and all recommendations have now been implemented satisfactorily.

4.6 **Recruitment Checks (Adults & Children's directorate)**

4.7 A review was undertaken to establish whether the key checks associated with staff recruitment were operating effectively. The review concluded that limited assurance could be placed on the control environment. The review found: -

- There was evidence missing from employment records in a high proportion of the samples. This includes statutory obligations such as Right to Work where there was no evidence of the right to work on file. This is in breach of the Immigration, Asylum and Nationality Act 2006.
- References that did not support the suitability of the individual for the post or their employment history.
- Retention requirements of the CRB scheme are not complied with.

However, where the recruitment process was carried out with the support of the Recruitment and Resourcing Team, the level of missing or incomplete evidence was found to be much lower than where the recruitment was managed by a local manager.

4.8 **Adults safeguarding application**

4.9 The Council has recently procured an application to manage the financial affairs of adults who are unable to manage themselves and/or have no other support available to undertake this role for them appropriately. The system was previously managed by the Financial Adult Safeguarding Team through multiple spreadsheets. The review identified a number of weaknesses that required action to be taken, including five high priority recommendations. These include:

- User passwords are visible to database administrators in plain text and are not encrypted;
- The reconciliation of the application to customer bank accounts is a key control that is currently being performed manually. No documentation exists to define the checks and controls in place within the manual reconciliation process to provide guidance to staff performing this activity;
- There is limited segregation of duties whereby bank signatories have access to change user access levels, input transactions onto the application, input remittance advices, print cheques and perform the reconciliation of the application to bank accounts;
- The audit trail facility does not produce trails of user access level changes, which is required to ensure segregation of duties is consistently enforced. Additionally, no audit trails of master data

changes are generated and the facility is limited in its usability for the purposes of proactive monitoring;

- The use of cheque printing software is a new process for which existing documentation does not define the multiple checks and controls that should be present to aid in ensuring the process is accurate, complete and no cheques are misappropriated;
- There is inadequate control over blank cheques;

(High priority recommendations included in Appendix D ref 7-11)

Capital Slippage – school projects

- 4.10 As part of the planned audit contingency to support scrutiny committees, Internal Audit were requested to look at the project governance arrangements in place for schools capital projects and assess whether capital slippage could be avoided through better processes. The review concluded that whilst satisfactory assurance could be placed on the effectiveness of the overall control environment and governance arrangements, key weaknesses were identified in respect of the profiling and estimating of future costs giving rise to large amounts of slippage occurring. Current processes fail to capture an accurate picture of the financial position and estimated costs of capital schemes which is subsequently used to populate the capital payment monitors. The control processes fail to adequately integrate with financial planning and reporting. The consequences of these weaknesses could mean that decisions to borrow may be made based on expected capital expenditure when in reality there will be money in the capital programme which will not be used during the year.

(High priority recommendation actioned in Appendix E ref 22)

Officer Hospitality & Conflicts of Interest

- 4.11 A review was undertaken as part of audit time allocated to review elements of the Council's governance arrangements. This was also prompted by concerns raised following recent irregularities where officers had failed to comply with corporate guidelines relating to hospitality, or failed to declare personal interests when required. The key reasons for the limited assurance opinion were:
- There were very few employee hospitality registers maintained.
 - There is no method for recording employee conflicts of interest.
 - The guidance is not specific enough to identify what is necessary when keeping a register of hospitality/ gifts.
 - The guidance does not explain who should record business interests or how.
 - Those registers that were kept did not have evidence of approval or review as required by the guidance.

There was evidence of good practice in specific areas which should be used as a basis to introduce robust and standardised procedures across the Council.

(High priority recommendations included in Appendix D ref 14-15)

Core Financial Systems

- 4.12 Annual compliance testing on ten core financial systems found that the majority of controls were operating satisfactorily with the exception of three areas which were given limited assurance ratings. Details of key weaknesses are provided below:

Accounts Payable

- 4.13 No Assurance can be provided that processes for ordering through SRM are robust as the system does not provide for adequate separation of duties within the process. Consequently, there is non-compliance with Financial Procedures providing significant risk to purchases made through this SAP module. This has been raised by Internal Audit in previous years and is due to be rectified as part of the SAP optimisation project. However slippage in delivery of elements of this project both in its current and previous guises have meant that controls have not yet been implemented.

(High priority recommendations included in Appendix D ref 12-13 and actioned in Appendix E ref 18)

Purchasing Cards

- 4.14 Purchasing Cards (P Cards) are used to buy goods and services previously bought using low value orders, petty cash, cheque requisitions or through the expense reclaiming process. They are issued to named individual cardholders. Following previous audit review work, compliance work was undertaken to ensure that the more rigorous control regime introduced in November 2009 was operating effectively. The review found a significant proportion of transaction logs had yet to be returned, a number of purchases were not in line with the rules and contradictions were identified in the guidance issued.

Pension Payments & Contributions

- 4.15 The main reason for the weakness is that lack of reconciliation between Axis-e and the General Ledger meant that the differences had not been identified for correction. Furthermore, the lack of reconciliation has meant that transfers in and out of the pension fund for WSCC and admitted bodies (over which the Pensions section has no control) are not reconciled to ensure transfers are allocated to the correct 'pot'. This issue has been raised previously by both Internal and External Audit. Appendix D shows that corrective has been taken though this is subject to audit verification.

(High priority recommendations actioned in Appendix E ref 23-24)

Other issues

- 4.16 There remain outstanding control issues relating to use of authorised signatories from the payroll section which have been reported previously. Additionally, no assurance can yet be provided on capital accounting until year end procedures have been completed by Finance staff. These procedures were due to be finished at the end of June.

Follow up work

- 4.17 Follow up work will be carried out during 2010/11 to ensure all key recommendations are implemented. All high priority recommendations are followed up by Internal Audit whilst services are asked to provide a self-assessment against all other recommendations made.
- 4.18 Appendix B provides a summary of recommendations made by Directorate during 2009/10 and the status of recommendations previously made during 2008/09 that have been followed up by Internal Audit.
- 4.19 Appendices D and E show the status of outstanding high priority recommendations and those that have been actioned since the last report to RAAC in March. The appendices include comments from Officers in respect of status/action taken. Not all completed actions as described by Officers have been verified by Internal Audit. Where actions have been verified this has been stated on the table. All key recommendations will be checked by Internal Audit during the year and any outstanding or not satisfactorily completed will continue to be reported to RAAC.
- 4.20 **Progress on outstanding key Issues previously reported to RAAC**

The table below shows progress on actioning recommendations arising from audits rated as limited assurance that were reported to RAAC in the 2008/09 annual audit report.

Audit	Implemented % (No.)	Comments
SAP Project Systems - Property	17% (1/6)	Related issues highlighted in separate review of CYPS capital slippage undertaken this year.
Civil Parking Enforcement	100% (11/11)	All implemented.
Adults with Learning Difficulties	88% (14/16)	1 high priority recommendation has still not been cleared due to compliance in a particular area.
Adults' Services Performance Management	50% (5/10)	Some outstanding recommendations are pending full implementation of new Frameworki system.
Youth Offending	100% (9/9)	All implemented.
eRIC – Children's Information system	26% (5/19)	14 recommendations outstanding – issues to be resolved through new Frameworki system currently in development.
Galaxy Library Application	50% (4/8)	1 rejected – high priority recommendations have now been cleared.
Highways Alliance – Term Maintenance Contract	100% (14/14)	All implemented.

Other audit work

- 4.21 **Establishment visits**
- 4.22 Financial Management Standard in Schools (FMSiS)

The audit programme of establishment visits included the final tranche of FMSiS assessments for primary, special and nursery schools. Additionally, 17 secondary schools and 28 primary and special schools were subject to a

lighter touch triennial review against the assessment as well as routine audit review. In total, as at the end of March, only 20 out of 280 schools are not meeting the standards. Of these, 7 schools (including 5 secondary) had previously met the standard initially but have not kept key documentation up to date in line with requirements. Action plans are in place for all schools that have failed to meet the standards and these will be followed up.

4.23 Other establishment audits

Non FMSiS audits were undertaken at a variety of establishments as per plan. Of these limited assurance opinions were provided to 5 establishments. Action plans have been agreed to rectify weaknesses.

4.24 **Project support**

4.25 Internal audit are actively involved in providing advice and support on a number of projects. Most notably these currently include the following areas:

- SAP development including changes to procurement arrangements
- Frameworki – Adults and Children’s management implementation
- Support to scrutiny committees
- Change Management Framework
- Risk management

4.26 **Investigations, irregularities and anti-fraud work**

4.27 During 2009/10, 10 reported issues have been received requiring detailed internal audit review. Of investigations completed, there has been no resulting material loss and disciplinary procedures have been invoked as necessary and referral to the police on a couple of matters. In a couple of cases where losses have been identified through fraud or misuse of assets, these have been recovered in full. The most significant review related to previous audit concerns in respect of the letting of contracts. Although this was not a case of fraud, disciplinary proceedings are in progress in respect of non-compliance with procedures.

4.28 Work arising from the National Fraud Initiative has been completed with the exception of company house matches which have only recently been received. In summary, 3 instances of fraud relating to the issue of disabled blue badges were referred to police investigation. One employee resigned as they could not prove their entitlement to work in the UK and £21,000 was identified in respect of overpayments, mainly relating to deceased pensioners for which efforts are being made to recover.

5. **Audit Performance**

5.1 The budget for Internal Audit for 2009/10 was £594,500 and the actual net expenditure was £607,200, an over spend of £12,700. This reflects changes to budgetary assumption in respect of staff turnover and also additional resource required to cover for long term sickness.

5.2. Audit satisfaction questionnaires were issued during the year allowing the client to score various aspects of the work. During the year, 78 completed questionnaires were received, 94% of which gave a positive rating overall.

The average score from these questionnaires was 1.28 (based on the rating 1 – good to 4 - bad). This compared to a figure of 1.23 reported for 2008/09. The questionnaires also invite respondents to provide comments and ideas as to how services can be improved and to identify further areas where they would find audit assistance useful.

- 5.3 A self assessment was undertaken matching current audit practices against the revised Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. The review found that the section was compliant with the code.
- 5.4 In July 2009, Internal Audit successfully passed a triennial independent assessment against the ISO 9000:2008 quality standard. Minor recommendations made were implemented during 2009. The assessment is also subject annual lighter touch independent reviews.

6. **Resource Implications**

- 6.1 None arising directly from this report.

7. **Risk implications**

- 7.1 There are risks associated with services not addressing key recommendations arising from the audit findings. Follow up audit review will be undertaken as part of the 2010/11-audit plan to ensure that agreed actions have been implemented. A report detailing the status of high priority Internal Audit recommendations will be presented to each meeting of RAAC for monitoring to ensure that key risks are addressed on a timely basis.

8. **Crime and Disorder Act Implications**

- 8.1 None arising directly from this report.

9. **Human Rights Act Implications**

- 9.1 None arising directly from this report.

Richard Hornby

Executive Director Finance & Performance

Contact: Gavin Jones ext 82132

No background papers

Internal Audit progress against plan

Allocation of Resources

	Plan Days	Actual Days	Gain (+) Against Days
Resource available			
Internal	3,568	3,568	0
External	93	89	-4
Agency	0	51	+51
Total	3,661	3,708	+47

Non-Audit Time

Public Holidays	124	119	+5
Annual Leave	412	392	+20
Sickness	84	255	-171
Training	110	112	-2
Vacancy	0	69	-69
Sub-Total	730	947	-217
Audit time available	2,931	2,761	-170

Time allocated to audit work

	Plan Days	Actual Days	Variation Days
Audit Reviews	914	799	-115
Establishment Visits	461	515	54
Project Support	523	377	-146
Other Work	313	389	+76
Anti-fraud/Irregularities	200	152	-48
Audit Management & Planning	520	529	+9
Total	2,931	2,761	-170

Work completed/in progress

	Planned	Work in Progress	Variation No.
Audit Reviews	80	67	-13
Establishment visits	170	170	0

Other audit works includes the provision of financial assessments of contractors on a demand led basis and follow up of Internal Audit recommendations.

Summary of Recommendations Made in 2009/10 (excludes establishment visits)

Directorate	2009/10 Reports		2008/09 Reports	
	Recommendations Made	% Accepted	Recommendations Accepted	% Implemented
Corporate/Chief Executive etc	13	100%	0	N/a
Finance & Performance	30	100%	47	72%
Adults & Children	76	100%	66	68%*
Customer Services	55	98%	28	43%**
Communities	27	100%	68	91%
External Clients	43	99%	41	66%

% Recommendations implemented reflect only those that have been completely actioned and not those that are in progress or partially actioned. Some recommendations also have longer timeframes for implementation.

The % of recommendations implemented by service from 2009/10 audit reports will be reported to RAAC as part of the 2010/11 annual internal audit report.

Notes:

- * 14 outstanding recommendations relate to the eRIC children's information system which is now being replaced by the implementation of Frameworki. This area will be subject to reviews as part of the 2010/11 plan.
- ** 11 outstanding recommendations have slipped as these are linked to either new developmental projects or restructure in respect of IT and web management.

Key to standard definitions of audit opinion

Full Assurance:	There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found.
Satisfactory Assurance:	While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance:	Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
No Assurance:	Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

Adult Learning Difficulties – audit report issued January 2009 - Full systems review to be undertaken again in 2010/11 Internal Audit Plan				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
1.	<p>SAP Commitments Where the value of an invoice is found to be significantly lower than the commitment raised, this should be raised with the social care worker and if appropriate a revised AS79 (or updated equivalent) requested by the Administrator or Finance Officer.</p> <p>Risk The Council could be paying for services that are no longer being provided.</p>	<p>Accept recommendation. However, proposed action not realistic. Introduce (-) £150 tolerance for under invoicing. Social Workers to be alerted by Lynsay/Huw to either complete variation sheet or if longer term change in need, revise AS128.</p>	Dec 2008	<p>Team Managers Sue Coldham – Locality Manager (ALD)</p> <p><i>System of alerts to social workers with escalation to Team Manager's then to Locality Manager is in place.</i></p> <p>Audit Testing (February 2010) <i>Issues are being produced and the overall number of unpaid invoices has reduced, however, a number of long term outstanding invoices remain within Northern Area. The issues log will now be circulated monthly and will be scrutinised more closely.</i></p>
2.	<p>Invoice overpayments Team Managers should regularly review the 'Problem Invoices' Spreadsheet and raise any concerns with the responsible social care worker.</p> <p>Risk Service providers may halt service provision if payment for services legitimately received is not made and service providers may raise their fees to cover the delay in payments made.</p>	<p>Team managers already aware and reminded. Stuart Mair has planned 'surgery' with Horsham CTPLD; also to do with Coastal. This will lead to resolution of outstanding problem invoices. Stuart to review Lynsay's list and have 3 monthly surgeries as needed.</p>	Dec 2008	<p>Team Managers Sue Coldham – Locality Manager (ALD)</p> <p><i>TMs review problem invoices spreadsheet. Slow compliance in Horsham CTPLD due to significant vacancy level. Need for further "surgeries" to be considered.</i></p> <p>Audit Testing (February 2010) <i>Majority of the problem invoices remain in Northern area as identified by Sue Coldham, no significant concerns noted within other areas.</i></p>

Adults' & Children's Services Performance Management – audit report issued April 2009 and follow up report issued in December 2009				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
3.	<p>Data Quality and Risk Management Risks to the quality of data should be assessed as part of strategic risk management.</p> <p>Risk The quality of the data underpinning performance information of the Service is unreliable.</p>	A formal assessment may need to be undertaken and recorded on the risk register. The general risk is well known and steps are being taken to procure a new IT system to enable better data quality.	<p>June 2009 risk assessment</p> <p>April 2011 (expected system implement date)</p>	<p>Ian Millar – Director of Performance & Resources Jean Marie Long – Principal Manager Policy & Practice. Tony Drew - Principal Manager Performance: Adults & Children Sue Price – Principal Manager Business Systems & Change (A&C)</p> <p><i>30.10.09 The County Council has issued a draft policy on integrated risk management and this is being used as a basis to review risk management in A&C with the aim of developing a risk management framework within each service to clarify risk tolerance and formalise reporting including the use of Perform</i></p>
4.	<p>Policies To ensure that data is recorded accurately and in accordance with prescribed definition, the Service should have procedures and guidance in place, which is periodically promoted and monitored to secure consistent compliance.</p> <p>Risk Lack of policies and procedures and poor access to the necessary guidance on their interpretation, can lead to inconsistent or inappropriate data recording practice.</p>	<p>CIS system guidance needs to be developed and maintained.</p> <p>Data requirements need to be fed into system development</p> <p>Compliance with recording and data requirements should be periodically audited</p>	<p>Sept 2009</p> <p>ongoing</p> <p>Sept 2009</p> <p>April 2011 (expected system implement date)</p>	<p>Ian Millar – Director of Performance & Resources Jean Marie Long – Principal Manager Policy & Practice. Tony Drew - Principal Manager Performance: Adults & Children Sue Price – Principal Manager Business Systems & Change (A&C)</p> <p><i>Guidance on performance data definitions has been reviewed on an interim basis. The required definitions and guidance will be used in the configuration of the new computer system, which is covered in the next recommendation. Auditing of compliance will be much simpler when the new system introduced</i></p>

14+ Service (Children Leaving Care) – audit report issued July 2009				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
5.	<p>Procurement of Accommodation for Customers The 14+ Service should work with the Supported Housing Service to compile an accommodation procurement strategy, which will address current accommodation issues; define how the accommodation market is to be developed; and set future standards for accommodation procurement. The Service should ensure that its policy defines types of appropriate accommodation and give clarity to the use of the Access to Resources Team.</p> <p>Risk Procurement of accommodation will continue to be reactive, and conflicting policies will continue to be barriers to effective market development.</p>	<p>Agreed.</p> <p>Principal Manager (Children in Care) to liaise with Hayley Connor to explore how the Supported Housing Strategy will support 14+ accommodation procurement.</p> <p>Susan Ellery & Nigel Turner to meet to discuss how the Access to Resources Team could support the 14+ Service in accommodation procurement.</p> <p>Susan Ellery to feed-back to the 14+ Service the findings of her enquiries with HC and NT</p> <p>Once these are completed the Service will draft a suitable strategy.</p>	<p>Sept 2009</p> <p>Sept 2009</p> <p>Oct 2009</p> <p>Mar 2010</p>	<p>Susan Ellery - Principal Manager (Children in Care) Karen Hayler - Principal Manager Business and Resource Planning Nigel Turner - Strategic Manager Commissioning and Contracts</p> <p><i>11.1.10 – The Principal Manager (Children in Care) confirmed she is working with Project Manager [Housing]. Patrick Ellis strategy needs turning into a Commissioning Strategy. The Principal Manager (Children in Care) will raise with Director of Operations (Children and Young People) and Director of Operations - Joint Commissioning.</i></p> <p><i>25.3.10 – Once the Head of Supported Housing returns then dialogue will be restarted through the Principal Manager (Children in Care).</i></p>
6.	<p>Management Information The Service should have a single data repository for the whole service, within which could be recorded details of customers, type of service delivery, and costs. This information could then be utilised to manage caseload, to provide performance data, and monitor trends.</p> <p>Risk The service is unable to respond operationally or strategically without adequate, consistent, and complete management information.</p>	<p>Agreed.</p> <p>Susan Ellery - Principal Manager (Children in Care) to ensure that current review of eRIC fitness for purpose includes 14+ requirements.</p> <p>Susan Ellery to report back with findings with a view to improving the management information available.</p>	<p>Sept 2009</p> <p>Oct 2009</p>	<p>Susan Ellery - Principal Manager (Children in Care)</p> <p><i>6.10.09 The Service Manager advised there will be no more developments in eRIC as there will be a new system soon. Internal Audit suggested in the interim spreadsheets were used to record data. The Service Manager will check what spreadsheets the team already use and ensure they are being kept up to date.</i></p> <p><i>25.3.10 – This is still outstanding. The Principal Manager) will check with managers that consistent and robust processes exist across the whole team. There was concern that performance data is still being collected in an ad hoc manner and some urgency needs to be placed to address the action.</i></p>

Adults Safeguarding Application (Caspar) – audit report issued June 2010				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
7.	<p>Password Encryption User passwords in the application database should be encrypted and not visible in plain text.</p> <p>Risk As passwords are visible to administrators, password privacy is not ensured. The login details of users are known to database administrators, allowing them to login as any user, therefore increasing the risk of unauthorised access and unsatisfactory levels of accountability.</p>	<p>FAST Team Manager has raised the request for passwords encryption with application provider and will pursue with liaison officer to implement solution.</p>	July 2010	<p>FAST Team Manager [David Hails]</p>
8.	<p>Segregation of Duties on Caspar Management should ensure that signatories who are authorised to approve payments from customer bank accounts do not also have access to input transactions on Caspar or to perform reconciliation between customer bank accounts and Caspar. A regular report of access level changes on Caspar should be run and checked by a system administrator who is not a signatory to ensure access to input transactions has not been changed throughout the period.</p> <p>Risk When the duties of entering transactions into Caspar, approving payments out of customer bank accounts and performing the reconciliation of bank accounts to Caspar are not segregated, a single user has access to perform all activities necessary to make payments out of a customer account, possibly without detection by other users. The risk of fraud and error is increased.</p>	<p>Currently reviewing whether the roles of CASPAR access level administrator, reconciler of accounts and authorisation officers can be sufficiently segregated within the team or whether it will require the CASPAR access level administrator to be WSCC central IT function. We currently favour the latter but there are cost implications of putting Citrix (£85 per ICTS machine x circa 10)</p> <p>Access Level Changes to be introduced as a scheduled report.</p>	September 2010	<p>FAST Manager [Sheena Lake]</p> <p>FAST Team Manager [David Hails]</p> <p>ITCS</p>

9.	<p>Reconciliation Procedures Management should document the manual reconciliation process, including possible reasons for discrepancies, timing and controls. The officer responsible for reconciliation should be made aware of the major control that where discrepancies are identified as a result of the reconciliation, source documentation should be sought and transactions verified as valid and authorised, before entering onto systems and making corrections.</p> <p>Risk Where the reconciliation process is not documented, there is an increased risk of failure to complete this key activity correctly, as controls and checks within the process may not be adequately defined to provide a point of reference for staff performing the reconciliation. This may lead to failure to identify discrepancies, bank errors, human errors and intended fraudulent activity.</p>	<p>Manual reconciliation processes on the movements of transactions over a given period are being introduced and documented.</p> <p>FAST Manager is currently urgently seeking alternative banking facilities that will better facilitate the needs of the FAS function.</p>	September 2010	FAST Manager [Sheena Lake]
10.	<p>Segregation of duties on cheque writer Access controls in Cheque Writer should be revised to ensure they are provided as per documented controls, whereby signatories are not able to input or print cheques. A regular report of access level changes on Cheque Writer should be run and checked by a system administrator who is not a signatory, to ensure access levels have not been changed inappropriately throughout the period.</p> <p>Risk When the duties of entering remittance advices and printing cheques are not segregated from signing cheques, a single user may have access to perform all activities necessary to make cheque payments out of customer accounts, possibly without detection by other users. The risk of fraud and errors is increased.</p>	<p>As per recommendation.</p> <p>Permissions matrix to be designed to ensure separation of duties.</p> <p>Enquiries have commenced with WSCC IT customer liaison officer to implement remote controls by IT.</p>	September 2010	FAST Team Manager [David Hails]

11.	<p>Audit Trail The following improvements should be made to the audit trail facility:</p> <ul style="list-style-type: none"> • Ability to search on the audit results; • Inclusion of user management changes, including access level changes; and • Inclusion of master data changes. <p>Risk Without adequate audit trails, there is limited traceability of changes to user setup or master data. There is an increased risk that where the confidentiality and integrity of the application and the information it holds are compromised, this will go undetected.</p>	Issue raised with application provider and there are already plans to facilitate as this issue was initially raised during training sessions.	September 2010	FAST Team Manager [David Hails]
Core Financial Systems – Accounts Payable – <i>audit report issued in April 2010</i>				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer / Action Taken
12.	<p>Authorisation Control Weakness (4.2.6) The SRM payment process should be amended to reflect the requirements of Financial Procedures and the recent guidance on self-approval level from the Executive Director of Finance and Performance.</p> <p>Risk Whilst acknowledging the SRM system contains only a limited number of suppliers and catalogue items, the way the SRM system has been configured means that it is possible for one person to be involved in the purchasing process from order to payment, not only does this not comply with Financial Procedures, it also increases the risk of fraud and misappropriation within the West Sussex accounts to an unacceptable level.</p>	The One way to Buy (OWTB) project will ensure compliance with financial procedures and a 3-way match on all orders/invoices will be introduced.	October 2010 When one way to buy (1W2B) is implemented	<p>Head of Office and Facilities Services</p> <p><i>May 2010</i> <i>The OWTB project is scheduled to 'go live' on 18th October and the 3-way match has been built into the SAP build programme.</i></p> <p><i>The project will be implementing strict segregation of duties whereby the person raising the request will not be able to approve the request. The system is being designed so that the segregation of duties is in place.</i></p>

13.	<p>Authorisation Control Weakness (4.2.7) Future changes to the purchasing system must not be made without suitable provision being made within Financial Procedures. The Executive Director of Finance & Performance is responsible for approving "any changes to the existing financial systems and to approve and new systems before they are introduced". (Financial Procedure 4.46).</p> <p>Risk Whilst acknowledging the SRM system contains only a limited number of suppliers and catalogue items, the way the SRM system has been configured means that it is possible for one person to be involved in the purchasing process from order to payment, not only does this not comply with Financial Procedures, it also increases the risk of fraud and misappropriation within the West Sussex accounts to an unacceptable level.</p>	<p>The OWTB project will ensure all revisions to the system go through the Executive Director of Finance & Performance as the changes will be authorised by the Project Board.</p>	<p>October 2010</p> <p>When one way to buy (1W2B) is implemented</p>	<p>Head of Office and Facilities Services</p> <p><i>May 2010</i> <i>The design of OWTB (which has been approved at Checkpoint 2) will be reviewed with FSU as part of the stakeholder engagement planned for June 2010.</i></p> <p><i>UAT testing of the new system will be 'signed off' by relevant teams which will include FSU, Audit, and LSU. This will allow for any financial procedures to be amended where appropriate.</i></p>
Hospitality & Conflicts of Interest – audit report issued May 2010				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer / Action Taken
14.	<p>Hospitality & Gifts The maintenance of hospitality and gift registers for officers should be reviewed. This should include a corporate policy that ensures consistency throughout the Authority. In addition, the importance of maintaining and updating a register should be highlighted.</p> <p>Risk There is a significant risk that hospitality offered to officers may be unreported as very few registers are maintained. This may give rise to allegations that an officer has been influenced by improper motives, or obtained improper personal advantage from or through his/her work.</p>	<ul style="list-style-type: none"> • Undertake review • Devise and agree policy • Implement policy and settle monitoring arrangements 	<ul style="list-style-type: none"> • By end June 2010 • By end July 2010 • By end September 2010 	<p>Head of Legal & Democratic Services</p>

15.	Business Interests Specific guidance should be issued on how to formally declare interests and to whom. Risk There is a risk that interests are not being declared which may give rise to allegations of impropriety.	<ul style="list-style-type: none">• To devise and disseminate guidance• To devise and implement central record of officer interests.	<ul style="list-style-type: none">• By end June 2010• By end June 2010	Head of Legal & Democratic Services
-----	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------	------------------------------------------------

14+ Service (Children Leaving Care) – audit report issued July 2009 and actions verified by Internal Audit				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer/Action Taken
16.	<p>Budgetary Control Authorisers of expenditure must ensure that expenditure is within the limits of resources allocated.</p> <p>Risk The service will commit expenditure in excess of the resources available.</p>	<p>Agreed. Team Managers and Service Manager to receive regular reports see above.</p> <p>The Service Manager to ensure that concerns around budget shortfall to be escalated promptly to the Principal Manager (Children in Care) for identification of additional funds or appropriate action to be taken.</p>	Sept 2009	<p>Debbie King - Service Manager & Team Managers</p> <p><i>Monitors now produced by Service Accountant (Children in Care) and projections are also available but not yet specific enough. All commitments have been cleared and future commitments are included in monthly budget monitors and reviewed with each Budget holder to ensure they remain current/valid.</i></p>
17.	<p>Expenditure Control The Service should review it's policy to ensure that it clearly defines appropriate expenditure, and methods of service delivery. Process should be formalised to define relevant boundaries and expenditure limits. The policy and procedures should be reviewed at least annually to ensure that it supports current practice.</p> <p>Risk Inconsistencies in practice will occur without a clear and current policy and procedure.</p>	<p>Principal Manager (Children in Care) to ensure that the policy is reported to Stuart Galimore for member approval.</p> <p>Principal Manager – Business and Resource Planning to support the 14+ Service with the development and communication of business processes to support the approved policy.</p>	<p>Sept 2009</p> <p>Sept 2009</p> <p>Dec 2009</p>	<p>Debbie King - Service Manager Susan Ellery - Principal Manager (Children in Care) Karen Hayler - Principal Manager Business and Resource Planning</p> <p><i>New Policy covers this issue</i></p>
Core Financial Systems – Accounts Payable - – latest audit report issued in April 2009 and follow up report issued in April 2010				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer / Action Taken
18.	<p>Authorisation Control Weakness Controls within SAP should be activated to ensure that additional authorisation is sought where invoices exceed orders.</p> <p>Risk Suppliers are charging for items not requested or not at the agreed price</p>	<p>Two areas to be investigated and processes communicated are: Rigorous application of existing authorisation processes for changes to controls in computer systems being cleared by Internal Audit, And, rigorous application of existing processes related to confirming manual authorisation of signatories.</p>	<p>November 2008</p> <p>Revised date: October 2010</p>	<p>Derek Irvine (from January) – Director Operations Support Services</p> <p><i>Permanent solution – implementation of the changes to SAP/SRM is being progressed. To tighten control in the meantime the interim exception report promised to the Committee meeting is now in operational use. Update 22.04.2010 Core systems testing have found the interim control to be operating as expected.</i></p>

Agreed Staffing (Establishment Control) – audit report issued September 2009 and follow up report issued in May 2010				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer / Action Taken
19.	<p>Agreed Staffing 'Base Data' Interfaces should be developed so that new posts and amendments to posts cannot be made in payroll until the change has been made through agreed staffing.</p> <p>Risk Where agreed staffing is not seen as accurate or as the prime record, there is a risk that payroll and budget information will be updated based on the actual situation within payroll. As a result the agreed staffing data will become out of date and inaccurate.</p>	<p>This recommendation will be implemented as part of the SAP Optimisation project; as a result, the implementation date is dependent on the implementation of the People Management SAP Optimisation Workstream.</p>	<p>In line with the People Management SAP Optimisation Workstream.</p>	<p>Eileen Saunders – HR Operations Manager</p> <p><i>Update 25.05.2010</i> <i>Whilst the recommendation has not been implemented in full, a workable solution has been developed within Payroll and Recruitment to ensure that no new employees are processed direct to the payroll without going through the Agreed Staffing Process. (ref 6.1.9)</i> <i>It has been acknowledged by the Director Operations Support that this process is not as robust as a system control, but a daily review of SAP is produced to identify and mismatches in grade and fte to identify any non-compliance with the process.</i></p>
20.	<p>Authorised Requesting Managers The responsibility of SMG members to check that the person preparing the agreed staffing form is authorised to make the change should be included on the Roles and Responsibilities page of the intranet site and should be clearly identified on the agreed staffing forms. The Roles and Responsibilities page should include instructions to follow where the post being amended is held by someone more senior than the SMG member.</p> <p>Risk Changes made to the agreed staffing structure by staff that are not authorised to make the changes.</p>	<p>Roles and responsibilities page will be updated by end October 2009.</p>	<p>Progress to be reviewed April 2010</p>	<p>HR Manager, Information & Systems</p> <p><i>Updated 25.05.2010</i> <i>The roles and responsibilities page on the intranet has been updated to identify the requirement of SMG members to ensure forms have been submitted by authorised requestors.</i></p>

Core Financial – Treasury Management – audit report issued April 2010				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer / Action Taken
21.	<p>Review of Bank Details All new bank details entered must be double checked by two dealers and evidence of this check retained.</p> <p>Risk Transfers could be made incorrectly</p>	New borrowers payment details to be set up on treasury management system as templates and copy of screen details and confirmation from the borrower to be checked and retained for future reference.	June 2010	<p>Treasury Management Officer</p> <p><i>Actioned as proposed</i></p>
CYPS Capital Slippage – audit report issued May 2010				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer / Action Taken
22.	<p>Capital Monitoring The information flows between the CAMU teams is improved and more regular to fit in with the monthly monitors or failing that accurate information is made available for the quarterly Cabinet monitors.</p> <p>Risk The true position of the capital programme is not reported and financial decisions may be made on that information.</p>	Capital Finance Team meet with Capital Project Officers on a monthly basis to review projected spend against budget for each scheme. Budgets on SAP will be revised accordingly so that monitor figures flow directly from SAP.	April 2010	<p>Head of Capital and Asset Management.</p> <p><i>Improved processes put in place.</i></p>
Core Financial – Pensions Payments & Contributions – audit report issued April 2010				
Ref	Recommendation	Action Proposed	Target date	Responsible Officer / Action Taken
23.	<p>Reconciliation of key accounts Staff certifying payments should be informed of the need to check the Axis-e screens to ensure the value is accurately reflected in Axis-e and that the date of the transfer is entered.</p> <p>Risk Whilst transfer out payments are being made correctly, there is a risk that the manual corrections are not accurately reflected in Axis-e, furthermore, non-completion of certain fields in Axis-e have resulted in incorrect management reports being produced.</p>	As per recommendation	April 2010	<p>Team Leader – Technical Pensions</p> <p><i>Actioned as per recommendation</i></p>

24.	Reconciliation of key accounts Reconciliation of Axis-e to SAP should be completed on a quarterly basis to ensure funds are coded correctly. Risk Staff Contribution rates could be incorrectly calculated by the Actuary if transfers in and out are coded incorrectly.	As per recommendation	April 2010	Team Leader – Technical Pensions <i>Actioned as per recommendation.</i>
-----	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------	------------	-----------------------------------------------------------------------------------