Implementation of Internal Audit Recommendations: Summary of Progress
Report by Head of Finance

Summary:	This report updates members on progress in implementing Internal Audit recommendations arising out of audits carried out since 2013/14.
Recommendation:	That the report be noted.

1 Introduction

1.1 It has been agreed that this Committee will receive a regular update of progress made in implementing Internal Audit report recommendations, focusing on outstanding recommendations and including timescales for completion of any outstanding work.

1.2 This report summarises the current position regarding recommendations arising out of internal audit reports which have been produced since 2013/14. It sets out in the appendix details of:

- recommendations not yet implemented;
- recommendations not implemented at the time of the last meeting which have since been implemented; and
- new recommendations since the last meeting.

2 Summary of Progress

2.1 In the previous report to this Committee in February, three medium and one low priority recommendation relating to Procurement policies and procedures were identified as outstanding. Two high, four medium and three low priority recommendations were identified as outstanding relating to Network Security. All nine Network Security recommendations, and two of the Procurement recommendations have since been completed. The remaining two recommendations are in progress. Details of all actions taken are set out in the appendix.

3 Internal Audit Programme 2013/14

3.1 The final audit from the 2013/14 programme has been completed since the last meeting of this Committee.

3.2　Key Controls (2013/14)

3.2.1　The regular annual audit of Key Controls was completed in April, following fieldwork in January and February. The objective of the audit was to review the systems and controls in place within the Authority's fundamental financial systems to ensure that these are operating adequately, effectively and efficiently. The audit also assessed progress in respect of implemented and outstanding agreed audit recommendations. This resulted in a "good" audit opinion with one low priority recommendation being raised. This represents an improvement when compared to the "adequate" rating obtained in 2012/13.

3.2.2　The audit identified areas for improvement relating to:

- opportunities to strengthen / improve Purchase Ledger processes.

3.2.3　Good practice was noted relating to controls in place around: Treasury Management; General Ledger; Fixed Assets; Budgetary Control; Sales Ledger; and Payroll. Good progress was also noted with regard to the implementation of previous audit recommendations.

3.2.4　The recommendation raised has been completed.

4　Internal Audit Programme 2014/15

4.1　One audit from the 2014/15 programme has been completed to date.

4.2　Corporate Governance and Risk Management (2014/15)

4.2.1　An audit of Corporate Governance and Risk Management was completed in May, receiving a "good" audit opinion with two low priority recommendations being raised.

4.2.2　The audit consisted of a review of the systems and controls in place to support the promotion of ethics and values, pursuit of strategic objectives, communication and coordination of activities and information within the organisation, as well as risk management, to confirm that these are operating adequately, effectively and efficiently.

4.2.3　The audit identified the following areas of weakness:

- annual reviews of Declarations of Interests should be undertaken; and
- additions to the Risk Register were proposed that would assist Members and risk owners in monitoring risk performance more efficiently.

4.2.4　A number of positive findings were identified in relation to:

- the existence and publication of key governance documents establishing the Authority's Ethical Standards and Corporate Governance structure;

- the Annual Governance Statement;
- processes for handling issues / complaints;
- monitoring of performance against key strategic objectives;
- robust risk monitoring and management arrangements, with clear identification of risk tolerances.

4.2.5 The two recommendations raised have been agreed and actions are identified to deliver these.

4.3 Details of all new recommendations and the Authority's actions to date in response are set out in the appendix.

Background papers: None

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Broads Plan Objectives: None

Appendices: APPENDIX 1 – Summary of Actions / Responses to Internal
                            Audit Recommendations 2013/14 – 2014/15

Summary of Actions / Responses to Internal Audit Recommendations 2013/14 – 2014/15

Procurement: October 2013

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Procurement Training** The Authority should provide a refresher procurement training exercise to officers with responsibilities for procurement.	Low	Head of Finance	Completed. Training has been provided to the Environment and Design Team in September and this training material made available to all staff. It is not considered practical to provide periodic procurement training on resource/capacity grounds. A review of finance induction training materials has been undertaken and new guidance drafted. This will be published alongside the updated Procurement Strategy (due for review by this Committee in September).	By 31/12/2013 Revised Target Date: 30/06/2013
2.	**Contracts Register** The Authority should review and update its contract register to confirm that all known contracts are recorded. Responsible officers for individual contracts should be identified.	Medium	Head of Finance	Partially completed. The contract register has been reviewed. Development work is underway to integrate the records of tenders, waivers of standing orders and contracts within a single spreadsheet.	By 30/04/2014 Revised Target Date: 31/08/2014

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	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	The Contracts Register should be a record of all current contracts and used as a management tool to identify contracts which are due to expire and as a result prompt review and timely procurement activity.			This will include additional information as recommended by the LGA best practice template and will include reporting / triggers for actions required by responsible officers.	
3.	**Purchase Ledger Review** Monitoring and reporting of data from the purchase ledger should be undertaken on a periodic basis. In particular, a review of aggregate supplier spending (cumulative total of >£5k), should be undertaken to determine whether correct procurement procedures have been applied. This analysis should be undertaken in line with the review of the Contracts Register to determine whether the Contracts Register includes all contracts. Instances of non-compliance with Contract Standing Orders should be reported to senior management and recurring issues identified to inform staff training.	Medium	Head of Finance	Partially completed. The aggregate supplier spend data for 2012/13 is being reviewed alongside the development of the updated contract register. 2013/14 data will be reviewed during July. In future an annual review of aggregate supplier spend and the contract register will be undertaken after the financial year end.	By 30/04/2014 Revised Target Date: 31/08/2014
5.	Contract Investigation	Medium	Director of	Completed. The Authority's	By 31/03/2014

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Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
The Authority should investigate the following payments to determine whether current arrangements meet Authority CSOs and whether the Authority would benefit from implementing formalised contracts: • Octagon - Telephone maintenance contract; • Chatterbox - Audio publication supplier; • Rix Petroleum (East Anglia) Ltd - Boat fuel supplier; and • A & W Cushion Ltd - Timber supplier.		Operations Head of Comms	contract with Octagon has been renegotiated and renewed for a further year under a waiver of Standing Orders. The contract with Chatterbox will not be renewed as an alternative approach is being trialed. The procurement arrangements with Rix Petroleum have been reviewed and it is not considered that establishing a contract for fuel provision would offer the Authority value for money due to price volatility. A process is being established to obtain quotes which will be documented to allow purchasing decisions to be made on a case-by-case basis. Prices for timber are obtained and benchmarked regularly and timber is therefore	

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			sourced from the supplier offering the best value for money. It is not considered that a formal contract arrangement would be appropriate for this area.	

Network Security: January 2014

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
3.	**Periodic review of the Windows audit trail** Management should implement a process whereby the Windows audit trail is reviewed on a regular basis.	Medium	Head of IT and Collector of Tolls	Completed. The ICT Support Officer is reviewing the audit trail on a regular basis and is investigating whether this process can be improved with the use of additional reporting software.	By 01/03/2014
4.	**Accounts with generic names** Management should conduct a review of generically named accounts.	Medium	Head of IT and Collector of Tolls	Completed. A full review has taken place. These accounts are predominantly used by field staff to access corporate information and are not used on a transactional basis.	By 01/05/2014
5.	**Rights that should be granted to no one** Management should conduct a review of the permissions that should not be	Medium	Head of IT and Collector of Tolls	Completed. The built-in administrator account has all five privileges whereas the user accounts have two of the	By 01/03/2014

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	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	granted to any account as there are accounts with five of these privileges. The privileges are as follows: • Act as part of the operating system; • Adjust memory quotas for a process; • Debug programs; • Log on as a batch job; and • Log on as a service.			privileges by virtue of inherited rights as domain admins. These privileges have been removed.	
6.	**Accounts where passwords are not changed regularly** A review of all accounts where the password is not being changed regularly should be conducted to better understand whether the accounts are still required or should have their settings changed to force password changes more regularly.	High	Head of IT and Collector of Tolls	Completed. A large number of these accounts are service accounts with passwords that never expire, the others are mostly group accounts. A full review has been conducted. This has confirmed that the vast majority of these accounts are service accounts, the remainder are generic accounts that are changed periodically.	By 01/03/2014
7.	**Accounts with passwords that never expire** Management should conduct a review of all accounts where passwords are set to never expire. Additionally, the built in Administrator account should	High	Head of IT and Collector of Tolls	Completed. These are mostly service accounts, the number is currently superficially high as the new DMS system, currently under development, uses a different set of service	By 01/03/2014

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	have its password manually changed on a periodic basis, for example when a staff member who has knowledge of the password leaves.			accounts to the existing version. A review of the accounts has been completed and the built in Administrator account renamed and password changed.	
8.	**Housekeeping issues** Management should conduct a review of disabled, locked and expired accounts on the domain. A review of the 23 empty local groups and 11 empty global groups should be included. A process to regularly review accounts that have been locked, disabled and/or expired should also be implemented.	Low	Head of IT and Collector of Tolls	Completed. The guest account has always been disabled the fact that it is locked out is therefore irrelevant. The ICT Support Officer is reviewing these accounts on a regular basis. Automatic alerts for locked accounts have been implemented.	By 01/06/2014
10.	**Regular review of services and drivers** Management should implement a process whereby a periodic, documented review of installed services and drivers is conducted.	Low	Head of IT and Collector of Tolls	Completed. Periodic reviews implemented.	By 01/06/2014
11.	**Security option settings** Management should review the following configurations: • "Do not display last user name in logon screen" should be enabled so that the username field is blank when a user logs into the network;	Medium	Head of IT and Collector of Tolls	Completed, except Management Team has reviewed the proposal to implement a warning message concerning unauthorised access every time a user logs on and has concluded that this	By 01/04/2014

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	• "Unsigned non driver installation behaviour" should be set to "warn, but allow installation" as a minimum. The current setting of "silently succeed" is not advised; and • Implement a warning message concerning unauthorised access to the network when users log in.			is unnecessary. All users are required to sign the Authority's electronic communications policy periodically. The first two recommendations have been implemented.	
12.	**Review of Discretionary Access Controls** Management should implement a process whereby DACLs are reviewed on a regular basis.	Low	Head of IT and Collector of Tolls	Completed. Periodic reviews implemented.	By 01/06/2014

Key Controls: April 2014

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Purchase Ledger** Purchase orders when raised should always be accompanied by a purchase order form or a requisition form, which should detail the product/service and the amount. This should be appropriately authorised by the relevant department. The	Low	Head of Finance	Completed. The importance of obtaining purchase orders has been highlighted during 2013/14 and the Finance Team are rejecting invoices where they do not quote an appropriate Purchase Order.	By 08/04/2014

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Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
presence of authorised purchase order or requisition forms will help to confirm that only appropriately and justified orders are being processed.				

Corporate Governance and Risk Management: May 2014

	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
1.	**Declarations of Interest** Declarations of interests by Members should be requested and submitted each year, irrespective of whether there have been any changes and reviewed by the Head of Governance. Any changes need to be publicised on the Authority's website in line with the requirements stipulated in the Localism Act 2011. The completion of updated annual declarations of interests by Members will help to confirm that the Authority's ethical standards and values are being maintained and applied by all Members and comply with the requirements of the Localism Act	Low	Head of Governance and Executive Assistant	Agreed. Members will be requested to submit their declarations of interest each year, after the Authority's Annual Meeting in July, requiring all updates (or confirmations that the declarations remain extant) to be provided in advance of the following meeting of the Authority in September.	By 26/09/2014

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	Recommendations	Priority Rating	Responsible Officer(s)	BA Response/Action	Timetable
	2011. Review of Declarations of Interest by the Head of Governance will help to confirm that the Authority is not at risk of reputational damage in case of any undeclared interests.				
2.	**Risk Register** The Risk Register should be updated to include: 1) A ' Due Date' column should be added onto the Risk Register to clearly state the implementation date of mitigating actions in place. 2) A column should be added showing the score of the risk (probability x severity) following implementation of actions in place as well as additional actions identified by the risk owners. A structured and cohesive Risk Register will help risk owners, management and staff to clearly identify their responsibilities relating to timeframes and deadlines on implementation of mitigating actions. It will also help to confirm that the	Low	Head of Governance and Executive Assistant	Agreed. These changes will be included in the Risk Register in time for the next six monthly review of the Risk Register by Risk Owners and the Management Forum, and the annual review by the Financial Scrutiny and Audit Committee in September 2014.	By 23/09/2014

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mitigating actions identified are meaningful and help to reduce the risk probability and severity.				