

## Appendix 1 – Members’ Briefing on Internal Audit reviews

14 April 2015

This document provides a summary of all the assurance reviews that have been finalised since January 2015. This document replaces the individual member briefings that have been provided. Further details regarding the RED and AMBER assurance reviews are included in the April 2015 Audit and Risk Committee report.

<b>Title: City of London Police – Telecommunications PBX<sup>1</sup> Resilience</b>	<b>Assurance Opinion: RED</b>	<b>Recommendations</b>		
	<b>Red</b>	<b>Amber</b>	<b>Green</b>	
	3	1	0	

The objectives of the original review were concerned with PBX fraud but during the course of the review a serious issue emerged regarding the PBX resilience. As such the report was divided on that basis with an assurance level and recommendations given to each specific area (i.e. PBX Fraud and PBX Resilience). See below for results of fraud review.

The issues raised included only one member of staff being responsible for this area, thus being single point of failure. Audit was informed that there is documentation to assist when that member of staff is not present, but such documentation lacked formalisation. In addition, there was no ‘out of hours’ support regarding both the Force’s personnel and that of third party support/maintenance providers. Further, there is no remote access facility at any time regarding both staff and third parties.

These issues were known to the Force’s IT team and this has been the accepted position for many years. This could leave the Force in an exposed position (e.g. unable to receive public telephone calls) should the PBX system fail. It is understood there are contingency measures including the Metropolitan Police facility at Croydon via CAD messages, however, it is not believed this position has been formally considered and signed off at the highest level.

All recommendations were accepted by the City of London Police in association with the City of London Chief Information Officer and Agilisys and will be implemented by December 2015.

<sup>1</sup> A PBX is often referred to as the switchboard, although its complexity and functions belie this simple description. The PBX is a multi-user, multi-application, fault tolerant and real time computer providing a private telephone network used within an organisation for users to share a certain number of outside lines.

Title: City of London Police – IT Disaster Recovery	Assurance Opinion: RED			Recommendations		
<p>The objectives of the review were to establish and evaluate the IT DR plan including documentation processes training, testing, invocation and post incident procedure.</p> <p>Planned audit work was limited due to the lack of available of information and documentation. Discussions with the Force Chief Information Officer confirmed that limited formal DR procedures or facilities were in place.</p> <p>As a result only one red recommendation was made relating to the need to consider the ICT Disaster Recovery arrangements as critical and establish a plan to address the absence of such arrangements.</p> <p>The situation was recognised by the Force Chief Information Officer and management. From the 1<sup>st</sup> December 2014 the Force joined the Agilisys contract to provide a managed service for the majority of the IT Systems, excluding Impact Levels 4 and above. The move to a managed service will implement significant changes to the Force IT Systems, including a resilient infrastructure and network, with associated formal processes to manage both daily activities and Disaster Recovery</p> <p>The timing of this review gave an insight into the position of the Force ICT DR prior to the managed service implementation. The remediation of risks to service and DR is a high priority for the managed service, however a major DR incidence would have no regard for changes planned. The one red recommendation was accepted by City of London/Agilisys and the Force and will be fully implemented by December 2015. A follow up review by internal audit is scheduled in July 2015 to report on the progress made to improve DR arrangements.</p>	Red	Amber	Green			
	1	0	0			

Title: Markets and Consumer Protection – Trading Standards	Assurance Opinion: AMBER			Recommendations		
<p>The review sought to evaluate the arrangements in place to ensure that the City of London fulfils its statutory responsibilities regarding Trading Standards, ensuring a fair and safe trading environment for consumers and business alike.</p> <p>A number of opportunities were identified to improve control in respect of complaint and case management, some of which surround the system used by the team. Full audit testing of complaints management could not be performed due to missing information and poor quality management information generated from the Northgate M3 system,</p>	Red	Amber	Green			
	0	2	5			

<p>which partly results from issues with automatic notifications from the Citizens Advice Bureau. Management also conceded that there are occasionally 'glitches' in report generation whereby records appear incomplete. We understand that the use of additional software (Crimson Investigation Management) is being considered to further facilitate case management.</p> <p>Performance monitoring arrangements were not adequate. One KPI existed for the service which, whilst it relates to critical work, could be more accurately described as an objective for which delivery is not entirely within the team's control. We understand that management have consulted with regulators and local authorities in order to determine meaningful performance indicators focused on outcomes rather than outputs but that nothing suitable has been identified. Whilst we acknowledge the rationale behind an outcome-based approach, the importance of outputs should not be ignored; target setting, monitoring and measuring of team activities are essential as they enable the service to demonstrate that resources are being used in an appropriate and efficient manner. We noted that the Corporate Performance and Development Team has agreed to provide support to Trading Standards to assist in developing performance measures for 2015/16.</p> <p>All recommendations were agreed by management, with the two amber recommendations being implemented by 15 April 2015.</p>			
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<b>Title: Town Clerks – Data Protection and Freedom of Information</b>	<b>Assurance Opinion: GREEN</b>			<b>Recommendations</b>		
<p>The scope of the audit review was to ensure that; staff are aware of and receive training on Data Protection (DP) and Freedom of Information (FOI) requirements; relevant policies, procedures and guidance are in place; good practice is demonstrated in respect of data security, retention and disposal; monitoring takes place to ensure compliance with DP and FOI requirements; information request fees and charges are properly applied; and information is provided for a valid reason, is in the correct format and timely.</p> <p>We found the systems and controls supporting the City's arrangements for DP and FOI to be satisfactory. Although some areas for improvement have been identified, we also noted many areas of good practice. Two amber recommendations were raised relating to staff undertaking mandatory training and secondly that the Senior Information Risk Officer provides a summary of the decisions taken to evidence the rationale for the decisions made,</p> <p>Given the scope and scale of the legislation in these two areas and the burden it places upon local authorities, the</p>	<b>Red</b>	<b>Amber</b>	<b>Green</b>			
	0	2	6			

<p>City has managed to establish a good framework, particularly in light of the relatively small resource overseeing DP and FOI. A key element in delivery has been the establishing of an Access to Information Network (AIN). This consists of reps in each department who work with the Information Officer to ensure compliance in matters regarding FOI and DP. Our review found this to be an effective set up, encouraging local ownership of such issues and helping to embed processes at a departmental level.</p> <p>All recommendations were agreed by management, with the amber recommendations being implemented immediately.</p>			
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Title: City of London Police – Telecommunications PBX Fraud <sup>2</sup>	Assurance Opinion: GREEN	Recommendations		
<p>The objectives of the review were to firstly raise awareness of the fraud to management generally. Secondly, to conduct an assurance fact finding questionnaire exercise followed by discussion to establish if 'good practice' had been implemented.</p> <p>The PBX areas covered included; responsibility, configuration, third parties support, maintenance, access controls, physical security, monitoring and fraud awareness. Two amber recommendations raised concerned comprehensive monitoring of PBX logs on a daily basis and clarity on third party alerts.</p> <p>All recommendations were accepted by City of London Police in association with the City of London and Agilisys and will be implemented by December 2015.</p>	Red	Amber	Green	
	0	2	5	

Title: City of London Police – Business Continuity Management	Assurance Opinion: GREEN	Recommendations		
<p>The objectives of the review were to establish and assess the assurance level regarding, core functions, leadership/governance, documentation, processes, invocation and post incident procedure. The review was</p>	Red	Amber	Green	
	0	1	5	

<sup>2</sup> The fraud occurs when an external hacker gains access to the switchboard. The criminal then profits in two main ways, making a high volume of calls to premium rate numbers to which they are affiliated and selling calls via dialling international numbers through the compromised switchboard.

<p>concerned exclusively with the Force's own internal Business Continuity Management System (BCMS) not the Force's role as a Category 1 Responder under the Civil Contingencies Act.</p> <p>In respect of 'core functions' the Force has identified and approved core functions with the BCMS and as such they are referred to (e.g. Control Room and Custody) on a regular basis within the various BC groups. In terms of Leadership and Governance the Force has very good arrangements in terms of command structure and reporting. Documentation of the BCMS was found to be of a mixed quality. There has been extensive work regarding Risk (e.g. Performance Dashboard) and other BCMS issues. One amber recommendation has been made regarding the lack of a single depository for access to business continuity plans and information. This issue is known to the Force and it is in the process of being addressed. An amber recommendation was made as this area represents a fundamental building block of the Force's BCMS.</p> <p>All recommendations were accepted by the Force with the implementation to be determined at the next Force BC meeting on 30 April, however, within a six month period.</p>			
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<b>Title: City of London Police - Police Officer's Pension</b>	<b>Assurance Opinion: GREEN</b>			<b>Recommendations</b>		
<p>Audit testing was undertaken in the following areas: examination of a sample of pension payments to ensure that these had been correctly calculated in accordance with the Government's Police Pension Scheme; that there is adequate separation of duties between the preparation of pension calculations and the checking of their accuracy; and, that a routine exercise is undertaken to ensure that pensions are only paid to those entitled i.e. that the Pensions Office has been informed of all pension recipients' deaths.</p> <p>Sample testing of records and discussions with Pensions Office staff established that there are satisfactory controls over the calculation and payment of pensions. In addition, there are adequate supervisory checks performed on pension calculations, which are evidenced by signature. The Pensions Office receives monthly reports from a data matching bureau contracted to provide details of all pensioners registered deaths, which may not have been reported by executors. Life certificates are sent to overseas pensioners for completion, since details of registered deaths available from United Kingdom records.</p>	<b>Red</b>	<b>Amber</b>	<b>Green</b>			
	0	0	0			

Title: Agilisys Service Desk	Assurance Opinion: GREEN	Recommendations		
<p>This review assessed the Agilisys Service Desk (SD) function performance.</p> <p>The SD is performing the required duties and this is confirmed from the reports detailing monthly performance which is presented to the performance and monitoring board. However, the end user perception is that the service received is not equal to the previous in-house service received.</p> <p>The areas of weakness centred on lack of communication, the time taken to resolve issues, and incorrect redirection of calls by front-line staff to the back office resolver teams. In addition users perceived a lack of staffing resource when a physical presence is required to resolve an issue.</p> <p>One amber recommendation was made to improve the knowledge of SD staff of non-standard areas. All recommendations were agreed to be implemented by June 2015.</p>		Red	Amber	Green
		0	1	4

Title: Agilisys Managed Services	Assurance Opinion: GREEN	Recommendations		
<p>The purpose of the review was to assess the achievement of the business case, effectiveness of contract performance and relationship management, and progress of the seven improvement projects.</p> <p>Agilisys were found to be providing an adequate service and have successfully implemented the majority of the improvement projects. All recommendations made were accepted by the Chief Information Officer and will be fully implemented by June 2015.</p>		Red	Amber	Green
		0	0	5

Title: Chamberlain's City Procurement – Centralised Purchase Ordering and Invoice Payment	Assurance Opinion: GREEN	Recommendations		
<p>The objectives of this review were: to determine whether invoices are paid: on time; for the correct amount; to the correct creditor; and VAT treated correctly; to establish whether the number of non-order invoices are monitored and ascertain why purchase orders are not being raised; to ascertain whether a record of all invoices is maintained so</p>		Red	Amber	Green
		0	0	6

<p>that any unpaid invoices can be identified; to establish whether duplicate invoices payments are highlighted and payments made are recovered; and, to assess the adequacy of performance information produced to manage and report on the performance of the Accounts Payable function for accuracy, reliability and timeliness.</p> <p>There are satisfactory controls over the processing of invoices, since the parameters for the correct processing of invoices are built into the CBIS Accounts Payable (AP) system.</p> <p>All recommendations raised were agreed to be implemented by 30 April 2015.</p>			
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<b>Title: Open Space – West Ham Park Nurseries</b>	<b>Assurance Opinion: GREEN</b>	<b>Recommendations</b>		
<p>This review looked to ascertain and evaluate the adequacy of procedures for procuring supplies and services to ensure compliance with corporate policies and financial regulations, as well as the issuing and processing requests for plants and floral decorations and control over stock. It also evaluated processes for recorded and collecting income, as well as monitoring arrears and budget monitoring.</p> <p>There were adequate internal controls over the procurement of supplies and services with a good division of duties, and adherence to the City's corporate policies and directives and Financial Regulations.</p> <p>Controls over processing and issuing requests for supplies of plants and floral decorations, as well as controls over stocks were operating effectively. Furthermore, controls over income collection and the monitoring of invoice payments were satisfactory. The Nursery's price list, however, had not been reviewed since 2012/13 and the pricing strategy would benefit from a benchmarking exercise with other similar suppliers. The recommendation raised in relation to this has been agreed and will be implemented by end June 2015.</p>	<b>Red</b>	<b>Amber</b>	<b>Green</b>	
	0	0	1	

Title: Community and Children's Services – Interim Valuation (CSA <sup>3</sup> )	Assurance Opinion: N/A <sup>4</sup>		Recommendations		
<p>Internal audit sought to obtain assurance that an adequate control environment is in place to confirm the completeness and accuracy of contract interim valuations prior to payment in respect of major projects.</p> <p>The controls in place were found to be generally satisfactory but some clear areas for improvement were identified. In particular, there was a lack of senior management review of Interim Certificates issued by both internal staff and external consultants.</p> <p>All recommendations raised were agreed by management and planned to be implemented by December 2014.</p>	Red	Amber	Green		
	0	1	2		

<sup>3</sup> Control Self-Assessment

<sup>4</sup> No assurance opinion provided as a result of the self-assessment. However, for comparison purposes this area would receive a 'green' assurance opinion.



## Assurance levels

Category	Definition
<b>Nil Assurance 'Dark Red'</b>	There are fundamental weaknesses in the control environment which jeopardise the achievement of system objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
<b>Limited Assurance 'Red'</b>	There are a number of significant control weaknesses and/or a lack of compliance which could put the achievement of system objectives at risk and result in error, fraud, loss or reputational damage.
<b>Moderate Assurance 'Amber'</b>	An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk.
<b>Substantial Assurance 'Green'</b>	There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern.

## Recommendation Categorisations

Priority	Definition	Timescale for taking action
<b>Red - 1</b>	A serious issue for the attention of senior management and reporting to the appropriate Committee Chairman. Action should be initiated immediately to manage risk to an acceptable level	Less than 1 month or more urgently as appropriate
<b>Amber - 2</b>	A key issue where management action is required to manage exposure to significant risks, action should be initiated quickly to mitigate the risk.	Less than 3 months
<b>Green - 3</b>	An issue where action is desirable and should help to strengthen the overall control environment and mitigate risk.	Less than 6 months