



INFRASTRUCTURE, GOVERNMENT AND HEALTHCARE

# West Dunbartonshire Council

Interim management report  
Year ended 31 March 2009

26 May 2009

AUDIT

# Contents

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This interim management report is presented under the terms of our appointment by Audit Scotland.

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- Executive summary
- Introduction
- Corporate governance
- Key financial controls
- Performance management
- Appendices
  - Financial controls action plan
  - IT general controls action plan
  - Timetable update

**About this report**

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code"). This report is for the benefit of only West Dunbartonshire Council and is made available to Audit Scotland and the Accounts Commission (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

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### Corporate governance

A sound system of internal control is an essential part of robust corporate governance arrangements. We report here our findings from our review of the information technology control environment, as well as the arrangements for prevention and detection of fraud and irregularity.

Information systems are an integral part of a sound system of internal control. Our information technology specialists have performed a detailed review of the Council's information systems relevant to financial reporting, including a follow-up of previous year recommendations. While action has been taken to progress a number of points previously raised, five new recommendations are made and nine recommendations require further work to implement fully. None of these, however, are regarded as grade one (significant).

The Council has put in place arrangements to respond to the requirements of the 2008-09 National Fraud Initiative, with overall arrangements well established. The process of reviewing 2008-09 data matches is underway, however, our prior year audit recommendation of adopting a more strategic approach to NFI exercises at an early basis, remains valid.

### Key financial controls

Since our appointment as the Council's external auditors in 2006 we have reported weaknesses in the operation of key financial controls, with some of these reported in more than one year. In previous years, management accepted most of our recommendations to enhance controls, but some instances where controls do not operate on a consistent basis continue to arise.

While this report raises 11 recommendations for action, none of these are at grade one (significant), with three at grade two (material) and eight at grade three (minor). The key theme of our recommendations involve the enhancement of the audit trail process to evidence the review of controls in place across the Council.

Our testing, combined with that of internal audit, of the design and operation of controls over significant risk points confirms that, with the exception of some weaknesses noted, controls are designed appropriately and operating effectively.

### Performance management

The Council continues to report on its progress against its Best Value Improvement Plan. The scheduled Best Value follow up review fieldwork was undertaken by Audit Scotland and ourselves in March / April 2009. The findings in respect of the Best Value Follow up are currently due to be reported to the Accounts Commission by June 2009.

In 2008-09, we have been asked to report to Audit Scotland on the Council's practice in considering and responding to national reports issued by Audit Scotland. The Council's policy unit has responsibility for considering and reviewing recommendations contained within national reports. We have reviewed the arrangements in place for one national study, the race equality study, and confirmed that adequate arrangements were in place to respond to the study's recommendations. We have also submitted a return in respect of the impact of Audit Scotland's *'Overview of the local authority audits 2008'* publication.

A number of external inspections have been conducted during 2008-09, including the Social Work Inspection Agency, HM Inspectorate of Education and the Scottish Housing Regulator. We will review the implication of these inspections on our external audit following the external publication of the final reports.

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice*. This specifies a number of objectives for our audit.

A key element of robust corporate governance arrangements is a sound system of internal control. Over the period of our appointment as the external auditors of West Dunbartonshire Council ("the Council") we review not only those systems of internal control that may be considered to be material in relation to the opinion on the financial statements, but also those which require to be considered as part of the wider dimension of public sector audit.

Our approach to the audit is based on understanding and assessing the Council's structures and processes for decision-making, accountability, control and behaviours and what risks can affect the financial statements. We then consider the audit procedures to address any identified weaknesses and identified risks. We assess the areas with the greatest risk for misstatement and how effective are internal controls at mitigating those risks.

Our audit is carried out in accordance with our responsibilities embodied in Audit Scotland's Code of Audit Practice ("the Code") and through the application of International Standards on Auditing (UK and Ireland).

Our recent audit fieldwork and this report meets the following objective under the Code applicable to 2008-09:

- to review and report on (as required by relevant legislation, the Code and any guidance issued by Audit Scotland):
  - the Council's corporate governance arrangements as they related to its review of systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, the prevention and detection of corruption, and its financial position; and
  - other aspects of the Council's arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources.

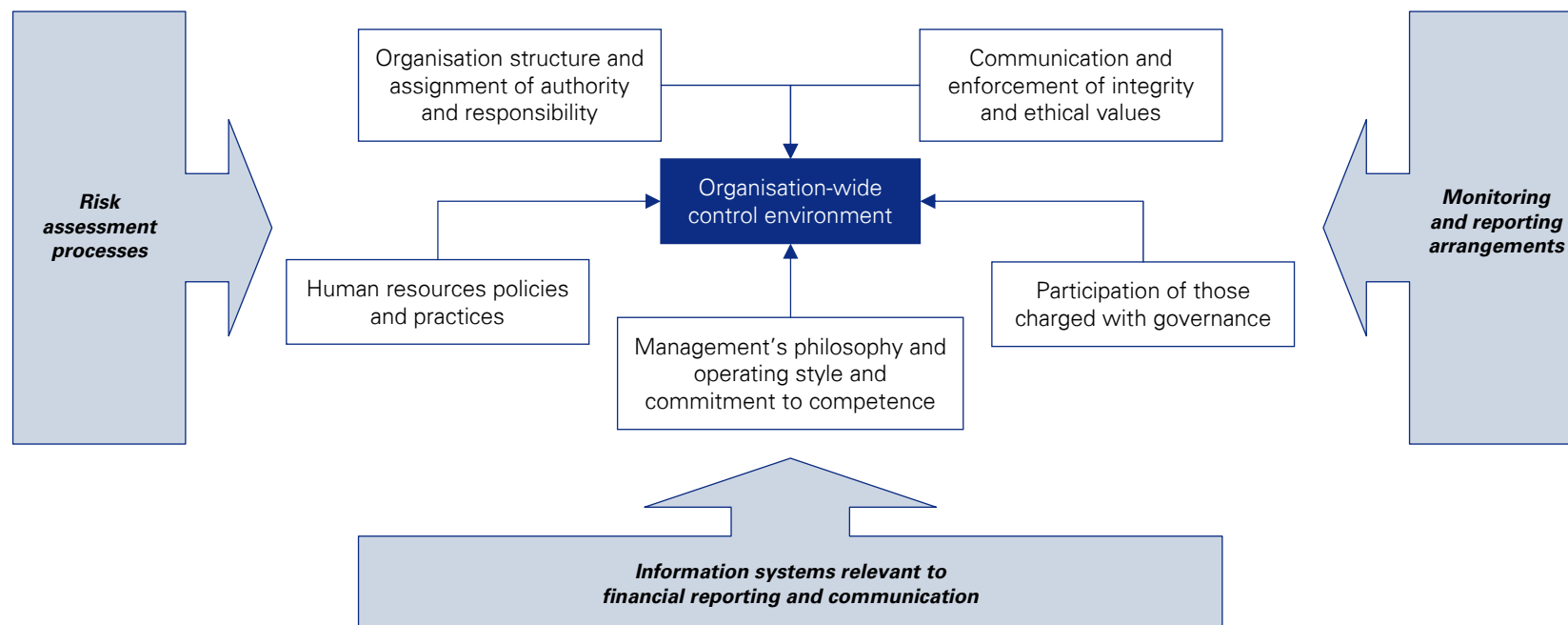
In line with our audit plan overview, presented to the audit committee on 25 March 2009, we have completed the 'understanding' and 'evaluating' phases of our audit. We will use the information obtained and the results of our testing to tailor our planned approach to our audit of your financial statements during July to September 2009.

The purpose of this report is to report our findings as they relate to:

- review of organisational-wide controls, including internal audit arrangements, arrangements in respect of the Council's IT environment, follow-up of previous recommendations, and the National Fraud Initiative; and
- review of principal accounting systems to assess whether the related controls were designed appropriately and operating effectively to prevent or detect a material misstatement of the financial statements.

## Organisation-wide controls

Organisation-wide controls often have a pervasive impact on control activities over classes of transactions, account balances derived from management estimates, other account balances and disclosures and therefore on our assessment of the risk of significant misstatement. Audit procedures performed to gain an understanding about the design and implementation of relevant controls include inquiring of Council personnel, observing the application of specific controls and inspecting documents and reports.



Our work has included assessment of financial management, IT control environment, and arrangements for prevention and detection of fraud and irregularity. Our review of budget setting and reporting arrangements, risk management, management and committee structures remains ongoing and will take account of the Best Value follow-up report which is due to be finalised later in 2009.

Work on organisation-wide controls completed to date has included review of relevant policies and procedures of day-to-day financial operations and consideration of the adequacy and appropriateness of the content. Our testing identified that policies and procedures are not always up to date or easily accessible by staff in finance functions. In addition, we have reviewed the adequacy of IT controls over key operational systems the scope and findings of which are detailed overleaf.

## Organisation-wide controls (continued)

### IT control environment

Information systems are an integral part of a sound system of internal control. Our IT specialist performed a detailed audit of financial systems. The approach to audit work performed by our IT specialists was to enhance and add to work performed in prior years. The Council has in place a number of IT systems, our review has considered the key systems FMIS Agresso (General Ledger) and I-World (Council Tax and Benefits system).

The IT audit scope included the following areas:

- access to programmes and data;
- programme changes;
- programme development;
- computer operations; and
- follow up of 2007-08 IT General Controls action plan

We are pleased to note that progress has been made against most recommendations raised as part of the 2007-08 IT General Controls action plan, with four recommendations now closed or superseded. Five new recommendations have been raised as result of our current year audit, some of which follow on from 2007-08. A further nine recommendations are still open from our prior year work. None of the open recommendations are regarded as priority one. The key themes of the recommendations are:-

- improvement of data security across the Council ranging from password security, controls of over the release of sensitive data, programmes implemented to increase user awareness in respect of their role and responsibilities in data security and compliance with the credit cardholder data PCI Security Standard;
- back up procedures should be enhanced to ensure controls operate effectively and an appropriate disaster recovery plan should in place; and
- a review of user rights to confirm user access and super user access is appropriately assigned through out the Council.

For all recommendations in detail please refer to appendix two.

## Organisation-wide controls (continued)

We look at arrangements for preventing and detecting fraud through irregularity.

### National Fraud Initiative ("NFI")

The National Fraud Initiative brings together data from Councils, health bodies, police and fire and rescue boards and other agencies, to help identify and prevent a wide range of frauds against the public sector. These include housing benefit fraud, occupational pension fraud and payroll fraud. The Council provides payroll data for the exercise. The NFI has generated significant savings for Scottish public bodies (£37m to 2006) but, if fraud or overpayments are not identified, assurances may be taken about internal arrangements for preventing and detecting fraud. NFI has provided a valuable exercise in the past for the Council, identifying a fraudulent sick-pay claim with an estimated value of £20,000 in 2007-08.

We have updated our understanding of the arrangements in place to investigate data matches through use of the web-based audit commission tool. We also reviewed the Council's progress in implementing recommendations raised in 2007-08. The Council has well co-ordinated arrangements in place to complete the NFI exercise. The key NFI officer is an internal auditor with clearly defined roles and responsibilities. Ad hoc reports on the progress of NFI are made to the Corporate Management Team. We will continue to monitor the progress of NFI investigations through out the annual audit process.

We recommended in 2007-08 that a more strategic approach to NFI exercises was taken at an earlier stage in the NFI process. We note, however, that the NFI strategy had not been updated for the 2008-09 process and therefore progress against this recommendation had not been made. We continue to encourage the Council to prepare a strategy document which will provide a rationale for the arrangements and prioritisation of investigations. Furthermore, there are no formal reporting timelines in place for the presentation of NFI findings to staff, senior management and members. We encourage a formal reporting timeframe to be established and a method of reporting findings to all Council employees to be considered.

### **Recommendation 1**

The Council has established satisfactory arrangements for participation in the 2008-09 NFI exercise. We will complete further work in respect of the Council's progress in investigation and resolution of data matches during 2009.

## Organisation-wide controls (continued)

We will continue to liaise with your internal auditors to minimise duplication of effort.

We provide an opinion on the Council's accounts.

### Internal audit

Our audit planning process identified the specific areas where we planned to rely on the work of internal audit to minimise duplication of effort. We have continued our liaison with your internal auditors and updated our understanding of their approach. The internal audit plan for 2008-09 has yet to be completed due to staffing issues within the internal audit function. However, internal audit resources have been focused to completing the key financial systems audits, on which we can place reliance. We have evaluated and tested the work of internal audit which confirmed its adequacy for our purposes and therefore have placed reliance on areas undertaken by internal audit.

We placed reliance on internal audit work in the following areas:

- housing benefits;
- council tax;
- national non domestic rate;
- improvement grants and loans;
- computer audit; and
- general ledger controls and reconciliations;

We have noted that the review of asset management, procurement and service standards are not yet complete. We will review internal audit's work, in respect of these reviews, prior to commencing our financial statements audit.



## Key financial controls

# Key financial controls

During the interim audit we evaluate the design and operation of key financial controls and test their operating effectiveness.

### Key financial controls

Our audit plan overview identified the classes of transactions, disclosures and account balances that are significant to the financial statements. We developed audit objectives for each identified financial statement assertion. Where the audit objective has a controls approach, in accordance with *the Code* we have updated our understanding of accounting and reporting activities over each significant account and identified and tested key financial controls. We have evaluated the design and implementation of these controls and, where appropriate, tested the operating effectiveness. The aim of this work was to ensure that the controls operating over the principal accounting systems were designed appropriately and operating effectively to prevent or detect a material misstatement of the financial statements.

### Procedure notes

We are aware that some policy and procedure notes, for example cash handling, are in place. However, it is noted that there is still a lack of policy and procedure notes available to staff for reference on the day-to-day operations of all financial controls. We recommend that formal procedure notes are in place for each section of the finance function and that these are made available to all staff through the intranet.

### **Recommendation 2**

### Financial reporting

We have reviewed the method of reporting financial information to committees and members and have identified that reporting styles vary across committees and departments. We recommend that a pro forma reporting mechanism is used to ensure consistent information is reported for both general services and HRA revenue and capital expenditure to provide comparability. We also recommend the introduction of a headlines document to budgetary control reports which would present a one page snap shot of high-level information to members,

### **Recommendation 3**

### Bank reconciliations

Our sample testing of bank reconciliations identified that these have been completed for every period. However, only one bank to general ledger reconciliation (creditor account) was identified as complete in a timely manner. Best practice suggests that bank reconciliations should be completed within ten days of the period end. Furthermore, seven out of eleven bank account reconciliations had not been evidenced as having a second independent review since period five.

### **Recommendation 4**

### Council tax and Non-domestic rates

Reconciliations of the council tax system and non-domestic rates system to the general ledger have not been completed in year. A year end exercise will be undertaken to reconcile these balances and identify any potential issues relating to the council tax and non-domestic rate balances held within the system. We recommend that these key financial systems are reconciled through out the year to identify and resolved any potential issues that may arise during the financial year.

### **Recommendation 5**

## Key financial controls (continued)

### Housing Benefits

The annual uprating exercise within the Benefits system is tested in a control environment and reviewed prior to being applied to all cases within the system. There is no formal record of the items tested, as such we cannot confirm that this control operated during the uprating process. Furthermore, management were unable to locate one in three of the system confirmation notices tested to confirm the accuracy of system uprating. A detailed audit trail should be maintained to evidence controls over housing benefits operate during the year.

**Recommendation 6**

### Payroll

Our testing of payroll identified that an exercise is undertaken by payroll to confirm the staff in post is accurate on a monthly basis. Nominal rolls following the pay run are sent to Human Resources Department (HR). HR do not confirm receipt or review of nominal rolls to verify staff are in post. This acts as a fraud control and we therefore recommend that HR should acknowledge receipt of nominal rolls and confirm that staff numbers are accurate.

**Recommendation 7**

### Journal Authorisation

We tested a sample of 22 journals to confirm that an independent second review of journals was conducted prior to posting on the general ledger. Our testing identified two journals, raised by the one individual, that had been signed as prepared and authorised by the same individual. All journals should be independently reviewed to ensure the accuracy of postings made to the general ledger.

**Recommendation 8**

### Suspense Accounts

We have identified that the council has approximately 120 suspense accounts used on a regular basis by officers through out the Council. Each suspense account has been assigned a responsible officer who should review and clear the suspense account on a monthly basis. Our sample testing of suspense accounts identified that account balances do not regularly clear to zero and it can take several periods before balances are correctly identified and cleared. A review of suspense accounts should be undertaken to prevent the misuse of suspense accounts and regular monitoring of such accounts should be undertaken.

**Recommendation 9**

### Previous years' recommendations

Since our appointment as the Council's external auditors in 2006 we have reported weaknesses in the operation of key financial controls. In previous years, management accepted most of our recommendations to enhance controls. We have reviewed all eight recommendations raised following the 2007-08 audit with the two grade three recommendations below remaining outstanding. We have confirmed that all remaining recommendations raised as part of the 2007-08 audit have been successfully implemented.

### Reconciliations

In 2007-08, we reported that there was limited evidence of an independent review of reconciliations between the cash receipting system and council tax system and non-domestic rates. Management agreed to issue reminders to all staff to sign and date reconciliations. Our sample testing in 2008-09 confirmed that implementation of this recommendation remains outstanding.

**Recommendation 10**

## Key financial controls (continued)

During the interim audit we evaluate the design and operation of key financial controls and test their operating effectiveness.

### Exception reports

In 2007-08, we identified that exception reporting was undertaken as part of the standard pay run. We noted, however, that this is not signed and dated by the preparer as being completed and reviewed. Our current controls testing identified that a clear audit trail of the review of exception reports and documentation of actions taken has not yet been implemented and therefore the recommendation remains outstanding.

### ***Recommendation 11***

Our testing of the design and operation of controls over significant risk points confirms that, with the exception of the weaknesses noted, financial controls are designed appropriately and operating effectively.

## Areas for audit emphasis – update

During the planning process we identified key risks for specific consideration during the audit.

Our planning process has identified the following specific areas of audit emphasis. As our risk assessments are ongoing through out the audit, this list is not exhaustive. We will feedback to you in our reports our findings in respect of all key areas of audit emphasis we identify, below we consider our findings to date.

Areas of audit emphasis	
SORP 2008 / IFRS	<p>There has been no significant changes to the SORP 2008 from previous years. We will review the financial statements for continued compliance with SORP 2008.</p> <p>The Council has taken a number of measures to ensure the successful restatement of 2010-11 financial statements under IFRS. A recent report to the Corporate Management Team identified issues to be considered by the council to ensure the successful implementation of IFRS. Following this report a number of actions have been taken to address the needs of the council:</p> <ul style="list-style-type: none"> <li>• external advisors have been appointed to provide consultancy on the required changes to accounting policies;</li> <li>• an IFRS inter-departmental working group, composed of key individuals across the Council, has been established; and</li> <li>• attendance of key finance officers at West of Scotland Finance Officer Forum.</li> </ul> <p>We will continue to review the progress against the implementation of IFRS throughout the audit process.</p>
Treasury management	<p>A treasury management strategy 2009-10 to 2011-12 was presented to and approved by Council on 25 February 2009. The strategy has been updated to reflect:</p> <ul style="list-style-type: none"> <li>• the current treasury position;</li> <li>• the economic climate and expected movement in interest rates;</li> <li>• the Council's borrowing and debt strategy;</li> <li>• specific limits on treasury activities; and</li> <li>• Treasury performance indicators.</li> </ul> <p>The strategy identifies the Council's responsibility in respect of the introduction of a draft Scottish statutory instrument "The Local Government Investments (Scotland) Regulations 2008".</p>
Single status / equal pay	<p>Single status implementation is progressing within the Council, the majority of payouts having been made in March 2009. Our audit testing confirmed the completeness, existence and accuracy of payments made to employees in respect of compensation and incentive awards, approximately totalling £5.3 million. The audit of back-payments and cases with employment tribunals is on-going. At the time of this review 502 appeals against grading had been lodged.</p> <p>On 25 March 2009, the Audit and Performance Review Committee requested an update to be provided at the next committee in respect of the single status / equal pay reserve. It is our intention to report separately on management's position of the provision / reserve.</p>

We review and report on the Council's arrangement to achieve Best Value.

Audit Scotland undertakes a programme of studies on financial management, governance and performance on behalf of the Accounts Commission.

### Best Value

The Council continues to report on its progress against its Best Value Improvement Plan. The scheduled Best Value follow up review fieldwork was undertaken by Audit Scotland and ourselves in March / April 2009. The findings in respect of the Best Value Follow up is due to be reported to the Accounts Commission by June 2009.

### Audit Scotland national studies

In November 2008 Audit Scotland published the national report 'The impact of the race equality duty on council services'. Since it's publication Audit Scotland have been tracking the impact of the report. We provided a summary return to Audit Scotland confirming the impact of the report on the Council and the Council's planned approach to considering and implementing recommendations. We will review the progress against the planned approach in October 2009.

We have also submitted a return in respect of the impact of Audit Scotland's '*Overview of the local authority audits 2008*' publication.

### Inspection agencies

West Dunbartonshire Council has been subject to a number of external inspections during 2008-09. Detailed inspections conducted include those by:

- Social Work Inspection Agency;
- HM Inspectorate of Education; and
- Scottish Housing Regulator.

We will consider the findings, resulting action plans and impact on our audit of these inspections following the publication of external reports.

## Appendix one – financial controls action plan

Priority rating for recommendations			
<b>Grade one</b> (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the Council or systems under consideration. The weakness may therefore give rise to loss or error.		<b>Grade two</b> (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.	
		<b>Grade three</b> (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the controls to meet their objectives in any significant way. These are less significant observations than grades one and two, but we still consider they merit attention.	
No.	Issue and recommendation	Management response	Officer and due date
1	<b>National Fraud Initiative</b>  In reviewing the Council's arrangements for administration of the NFI in 2007-08 we noted there was no formalised timetable detailing when investigations would be completed or reported. We therefore, recommended that a more strategic approach to NFI was adopted earlier in the NFI process. We have reviewed the current arrangements in place and have identified that the NFI strategy was last updated June 2007.  We recommend that the strategy for NFI is updated and includes a clear reporting timetable of progress made with investigations.  <i>(Grade three)</i>	An updated NFI strategy document incorporating a clear reporting timetable is being prepared by the Manager of Audit.	Manager of Audit 30 June 2009
2	<b>Procedure notes</b>  We have identified that procedure notes are in place for some finance operations, e.g. cash handling procedures. However, procedures notes are not consistently in place and available to all staff across the Council in respect of the day to day operations of the finance functions. This increases the risk that staff do not adhere to policy as there is no reference document available. Procedure notes will also ensure knowledge retention should a key officer leave the organisation.  We recommend that formal procedure notes for finance departments are prepared and made available to all staff on the intranet.  <i>(Grade three)</i>	An action plan will be drafted within Finance and ICT to ensure procedural notes are available for all relevant duties. These will be made available within a central point held within the intranet.  The issue will also be raised at the finance forum for departmental finance sections to consider the appropriateness of making similar arrangements.	Manager of Accounting and Manager of Exchequer 31 December 2009

## Appendix one – financial controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
3	<p><b>Financial Reporting</b></p> <p>We identified, through a review of information reported to various committees through out the Council, that there is an inconsistent approach to reporting financial variances in both revenue and capital budgets. For example, variance may be reported actual against budget for the period or full budget against predicted outturn. To ensure consistency in information presented a standard reporting template should be adopted which requires all departments to report findings in a consistent manner.</p> <p>Furthermore, management should consider the use of a headline document, a one page summary which highlights the key budgetary findings for the period.</p> <p><i>(Grade three)</i></p>	<p>Development work is currently underway to update and modernise the budget reporting process. This will be considered by the finance forum (representatives from all departments) for onwards approval by the CMT.</p>	<p>Manager of Accounting</p> <p>31 March 2010</p>
4	<p><b>Bank Reconciliations</b></p> <p>We identified that bank reconciliations are not completed on a timely basis. We would expect that bank reconciliations between the general ledger and bank statements should be completed within ten days of the period end. Of the eleven bank accounts held by the Council only one was reconciled within this time frame. Furthermore, we noted that seven of the eleven bank account reconciliations had not been subject to a second review since period five. Timely preparation and review of bank reconciliations will reduce the likelihood of errors and allow issues identified to be resolved on a timely basis.</p> <p>We recommend that bank reconciliations are completed within ten days of the period end and that these reconciliations are subject to a second review which is evidenced by the reviewer signing and dating the reconciliation.</p> <p><i>(Grade two)</i></p>	<p>Currently bank reconciliations are targeted for completion within the preceding period.</p> <p>An action plan has been drafted to take necessary steps to minimise the length of time taken for bank reconciliations after the period end, with a view to meeting a target date of 10 working days after the period end.</p> <p>Action has been taken to ensure that a review by another staff member is evidenced.</p>	<p>Manager of Accounting</p> <p>30 September 2009</p> <p>Immediate</p>
5	<p><b>Reconciliations</b></p> <p>Council tax and NDR system reconciliations to the general ledger were not completed during the year. Staffing shortages experienced in the reconciliation department have been cited as the reason for this control not operating during the year. Reconciliations should be completed every period to ensure that all errors or potential systems issues are identified and resolved on a timely basis.</p> <p><i>(Grade two)</i></p>	<p>Action will be identified and taken to ensure reconciliations remain up to date</p>	<p>Manager of Accounting</p> <p>30 September 2009</p>

## Appendix one – financial controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
6	<p><b>Housing benefits uprating</b></p> <p>There is no formal record retained to evidence the housing benefits annual uprating exercise has been tested in a controlled environment prior to be applied to all cases within the system. Furthermore, back up confirmations could not be located to confirm accuracy of uprating within the system. Due to the lack of a clear audit trail it is not possible to confirm that this control operated during 2008-09 which increases the risk that this control may not have operated effectively distorting the uprating exercise within housing benefits.</p> <p>We recommend that a formal record of items tested during the uprating exercise is retained and all confirmation notices are retained to provide a clear audit trail that the exercise was completed appropriately.</p> <p>(Grade three)</p>	Action has been taken to remind staff to retain test files.	Manager of Exchequer Immediate
7	<p><b>Nominal rolls</b></p> <p>Payroll current complete an exercise to distribute all nominal rolls following the pay run to the Human Resource Department (HR). HR do not confirm receipt of nominal rolls or perform any kind of review to verify staff are in post. This control would reduce the Council's exposure to risk of fraud or salary overpayments if the review was completed by HR.</p> <p>We recommend, therefore, that each period HR department confirms receipt of nominal rolls to payroll and that the confirmation includes evidence that nominal rolls have been reviewed to confirm that staff are in post.</p> <p>(Grade three)</p>	A reminder will be issued to all services requesting confirmation of review.	Manager of Exchequer Immediate
8	<p><b>Journal Authorisation</b></p> <p>Our review of journal testing identified two journals out of a sample of 22 had been signed as prepared and authorised by the same individual. The lack of independent review increases the risk that errors are posted to the general ledger.</p> <p>We recommend that all journals are reviewed by an independent officer prior to items being posted in the general ledger and that this officer signs and dates the journal header and evidence of this second review.</p> <p>(Grade three)</p>	Action has been taken and staff will be reminded that all journals require two signatures prior to input in the ledger.	Manager of Accounting Immediate



## Appendix one – financial controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
9	<p><b>Suspense accounts</b></p> <p>The Council has approximately 120 suspense accounts used by officers across the organisations. Suspense accounts should be reviewed and cleared monthly by the designated responsible officer. Our testing identified that suspense accounts are not cleared regularly and large income and expenditure balances are not identified on a timely basis. The use of suspense accounts may have budgetary control implications, as unidentified income and expenditure will not be recorded within the correct budget creating variances that should not exist.</p> <p>We recommend that management review the use of suspense accounts within the Council and where appropriate close out accounts. We also would advise that suspense accounts retained should be reviewed monthly and income or expenditure should be cleared to the correct code as part of the period end close down procedures.</p> <p><i>(Grade two)</i></p>	<p>The Council has two types of suspense codes – those which clear regularly (e.g. ledger mis-codings) and others which will not (e.g. Fairer Scotland projects, PAYE)</p> <p>Those codes relevant to ledger mis-codings are reconciled more regularly than monthly. Balances can occasionally lie within these codes until the appropriate code is clearly identified.</p> <p>Other suspense codes are clearly identified with responsible officers, who reconcile these codes regularly, based upon volume/value of transactions.</p> <p>For year end purposes all suspense codes are certified by responsible officers as correctly coded and accounted for.</p> <p>An action plan will be put in place to identify suspense codes no longer required/used (in order to delete them), and a definitive timetable of expected reconciliation timescales, agreed with external audit.</p>	<p>Manager of Accounting 30 September 2009</p>

## Appendix one – financial controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
10	<p><b>Cash receipting reconciliations</b></p> <p>We identified, in 2007-08, that daily cash receipting reconciliations to the non-domestic rates and council tax systems were not subject to independent review on a timely basis. Management confirmed that they would issue reminders to all staff of the importance of evidencing review of reconciliations. However, our testing in 2008-09 identified that there is not consistent evidence of independent review in these reconciliations.</p> <p>We recommend that finance management should consider the appropriateness of reviewing the daily reconciliation, and consider if a review of the reconciliation on the last day of the week would be more appropriate to identify and resolve issues.</p> <p>Finance management should also ensure that officers who are responsible for these key controls sign and date reconciliations to evidence the review and ensure a complete audit trail.</p> <p><i>(Grade three)</i></p>	<p>A reminder will be issued to staff to sign and date the reconciliations when reviewed</p>	<p>Manager of Exchequer Immediate</p>
11	<p><b>Exception Reporting</b></p> <p>In 2007-08, we identified that the Council demonstrates good practice by printing and reviewing exceptions reports as part of the standard pay run process. However, we noted at this time that exception reports are not signed and dated by the officer to evidence review of payments, which remains the case in 2008-09 as identified through our controls testing.</p> <p>We recommend that control is formally documented so as to ensure a complete audit trail.</p> <p><i>(Grade three)</i></p>	<p>A reminder will be issued to Payroll staff to sign and date reports when reviewed</p>	<p>Manager of Exchequer Immediate</p>

## Appendix two – IT general controls action plan

Priority rating for recommendations		
<p><b>Grade one</b> (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the Council or systems under consideration. The weakness may therefore give rise to loss or error.</p>	<p><b>Grade two</b> (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.</p>	<p><b>Grade three</b> (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the controls to meet their objectives in any significant way. These are less significant observations than grades one and two, but we still consider they merit attention.</p>

No.	Issue and recommendation	Management response	Officer and due date
<b>New recommendations</b>			
1	<p><b>Password complexity</b></p> <p>Our testing has identified password complexity on I-World, Radius and Cyborg is not considered in line with best practice standards.</p> <p>There is no password complexity defined for Cyborg, with passwords issued in clear to users by the system administrator.</p> <p>I-World does not enforce rotation and lock out of passwords and Radius does not enforce lock out.</p> <p>Robust password polices should contain requirements on minimum password length, complex syntax, expiry settings, inability to use the same password and lock out after failed attempts.</p> <p>We recommend the Council investigate if functionality can be developed to allow a suitable password policy to be defined for the three applications which conform to the requirements specified above. In addition, for Cyborg, functionality should be developed to allow users to define their own passwords which should be recorded into the application in an encrypted format (for Cyborg, we recognise the implementation of a new payroll and HR system, due April 2010, may negate this risk).</p> <p><i>(Grade two)</i></p>	<p>The Council will contact suppliers of both I-World and Radius to request password functionality enhancements.</p> <p>Development of password functionality and subsequent implementation is dependant on the specific third party suppliers.</p>	<p>Manager of ICT June 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>New recommendations</b> <i>(continued)</i>			
<b>2</b>	<p><b>Power outage</b></p> <p>The recent power outage which impacted the availability of Council systems identified that the failover process to route power from the back up generators failed. We note ICT have formally documented the incident timeline and the Council are in the process of performing a root cause analysis as to the reasons for the outage and why the back up generators did not operate as expected.</p> <p>However, until this analysis is complete, the risk remains that a similar scenario could occur which would again impact the availability of the Council's financial information systems.</p> <p><i>(Grade two)</i></p>	<p>The root cause of the generator failure has been identified – generator in question does not have an internal heater. Since the power outage incident in January 2009, there has been a successful generator test on 30 March 2009 when the same generator did start automatically. WDC will purchase and install an internal heater for the specified generator.</p>	<p>Property Maintenance Manager, HEED</p> <p>September 2009</p>
<b>3</b>	<p><b>Back-up processes</b></p> <p>Although we are pleased to note improvements within the back up process further to an issue identified in 2008, our testing has again identified issues with the operating effectiveness of the Wintel back up process for Aggresso Live and Radius, including:</p> <ul style="list-style-type: none"> <li>- Aggresso Live back ups were not undertaken from 16/01 – 20/1 due to issues with the back up software (next back up was taken on the 21/1)</li> <li>- Radius back ups were not undertaken from 3/2 – 6/2, with the back up run again on 7/2.</li> </ul> <p>In addition, the existing process does not result in a helpdesk call being raised to highlight failures with the back ups and the action taken to resolve.</p> <p>We recognise the process will shortly be handed over from the network team to the server services team which should standardise the process in line with UNIX back ups.</p> <p><i>(Grade two)</i></p>	<p>As part of the ongoing project to migrate all backup process to a single technology platform, the Council will review existing backup processes and procedures to ensure backup failures are identified and logged immediately.</p>	<p>Manager of ICT</p> <p>March 2010</p>
<b>4</b>	<p><b>Secondary server room</b></p> <p>The creation of a new, secondary server room to house critical computer equipment has improved the environmental conditions within the original server room. Although we note the new server room has appropriate physical and environmental controls in place, a log has not been created to monitor third party access to the new server room.</p> <p>We would recommend a log be implemented to track who has access to the room as is in place for the original server room.</p> <p><i>(Grade three)</i></p>	<p>The Council will implement an access recording procedure for new server room.</p>	<p>Manager of ICT</p> <p>June 09</p> <p>complete</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>New recommendations</b> <i>(continued)</i>			
<b>5</b>	<p><b>Business continuity and disaster recovery</b></p> <p>We note a successful disaster recovery test has been completed in tandem with Hewlett-Packard for the Agresso system within the financial year.</p> <p>We understand the Council's approach to performing a restore of critical data for key financial systems is to now be undertaken in house further to the termination of the contract with Hewlett-Packard. The initial pilots of the restore process have now been undertaken for Agresso and Cyborg within the period of audit, although we were unable to inspect test evidence of the Cyborg restore as this was still under production at the time of our audit.</p> <p>We also note the Council have formally assigned ownership of the business continuity plan to a member of the Corporate Services team. However, there has yet to be formal agreement with key business areas as to which systems are considered critical and therefore require to be included within the disaster recovery test schedule.</p> <p>Without an adequate disaster recovery procedure there is a risk that management may not be able to recover critical files and systems in the event of a disaster.</p> <p>We would therefore recommend the Council continue to develop their approach to performing disaster recovery by agreeing system criticality and formally scheduling these tests within the coming financial year.</p> <p><i>(Grade two)</i></p>	<p>In the absence of corporate list defining criticality of systems, ICT will establish a prioritised list of systems for corporate approval.</p>	<p>Manager of ICT June 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b>			
<b>1</b>	<p><b>April 2009 update</b></p> <p>We note the Council have compiled a series of procedure documentation which provides guidance to staff on the approach to be followed for the encryption of sensitive data. However, the Corporate Information and Communications and Security Policy (ISP 4.5) should also be updated to reflect data encryption requirements.</p> <p>In addition, we note the Council have now adopted the use of encrypted USB storage devices, although we were informed unencrypted devices are still in use. We would recommend unencrypted USB storage devices be removed from use and replaced with encrypted technology.</p> <p>We have also been informed the Council have recently required all staff to re-sign employment contracts to meet the employment requirements for Single Status and as such have formally signed up to the Information Technology Security Policy and E-mail Internet Security Policy.</p> <p>However, the approach to roll out data security awareness videos and awareness sessions is still to be defined but we recognise ongoing discussions with senior management across the Council is taking place to determine the way forward.</p> <p>In light of the actions taken to date to address the risk identified, the grading of this point has been down-graded from one to two.</p> <p><b>Prior year issue and recommendation</b></p> <p>We understand that the Council has taken some steps towards ensuring the adequacy of data security over sensitive business data.</p> <p>However, there remain only limited controls to ensure that end users are aware of their responsibilities as regards data security. We understand that there exist limited controls to prevent the unauthorised extraction and transmission of such information.</p> <p>We recommend that the Council formally documents the responsibilities of end users as regards data security including for example requirements for the encryption of any sensitive data transmitted.</p> <p>We recommend that the Council implements specific controls to ensure that sensitive data cannot be extracted or transmitted without adequate control. These controls may include for example restrictions on data downloads and the lockdown of USB ports and CD writers.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>The Council will update Corporate Information and Communications and Security Policy (ISP 4.5) to reflect data encryption requirements.</p> <p>The Council will undertake a cost assessment of replacing unencrypted USB storage devices with encrypted technology.</p> <p><b>Original response</b></p> <p>Finance and ICT are implementing security awareness videos on the intranet and awareness sessions will be set up for all departments. It is proposed that this will be used as part of the Council induction process.</p> <p>The corporate information and communications security policy (ISP 4.5) will be updated to include the requirements for encryption of sensitive data.</p> <p>Guidance for encryption will be produced for users and posted on the Intranet.</p> <p>The lockdown of USB and CD writers would seriously impact the business requirements of the Council.</p>	<p>Manager of ICT January 2010</p> <p>Manager of ICT June 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b> <i>(continued)</i>			
2	<p><b>April 2009 update</b></p> <p>We have been informed a road map has been defined which details the key milestones to move forward with gaining compliance to the PCI DSS security standard.</p> <p>The three strategic options being considered have recently been costed by the third party approached by the Council to progress a solution.</p> <p>This program of work will continue to be progressed in 2009.</p> <p><b>Prior year issue and recommendation</b></p> <p>As the Council handles credit cardholder data the Council will need to ensure compliance with the PCI Data Security Standard (PCI DSS) which comes into force during the next financial year.</p> <p>Although we understand that some progress has been made towards compliance including required upgrades to the Radius cash receipting system, no overall ownership for the project had been defined at the time of the audit and the Council was yet to fully consider how all aspects of compliance would be achieved.</p> <p>There is a risk that the Council will not achieve compliance within an adequate timescale. We recommend that the Council should identify key business sponsors and project leads for the PCI DSS project and perform a formalised gap analysis to identify current status and the roadmap towards achieving compliance.</p> <p>We recommend that the Council should identify key business sponsors and project leads for the PCI DSS project. A formalised gap analysis should be performed to identify current status and the roadmap towards achieving compliance.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>As original response, but with revised timetable for implementation (from 31 December 2008).</p> <p><b>Original response</b></p> <p>The upgrade to the Radius Cash Receipting system has been installed in the test environment and testing is currently underway.</p> <p>Once the testing has been completed and signed off, the 3Dsecure software will be implemented live.</p> <p>Further compliance with regard to the server and data security will be implemented as part of the new kit room extension project. A formalised gap analysis has been carried out.</p> <p>Compliance with the PCI standards are currently being cross referenced with the Code of Connection standards.</p> <p>The Manager of Exchequer has been appointed the key business lead.</p>	<p>Manager of Exchequer</p> <p>31 December 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b> <i>(continued)</i>			
<b>3</b>	<p><b>April 2009 update</b></p> <p>We note the Council have improved the adherence of projects to governance based on our inspection of the PECOS My Web Integration Project as key deliverables and authorisations have been formally documented and retained.</p> <p>However, we have identified there remains limited evidence of system test and UAT undertaken based on the project inspected and evidence of authorisation to move from system test to UAT could not be provided.</p> <p>We also note action is being taken to improve understanding of the methodology and its application for ICT staff with the scheduling of Prince 2 foundation training.</p> <p>We also note the establishment of a monthly ICT Project Board which tracks the progress of in flight projects.</p> <p><b>Prior year issue and recommendation</b></p> <p>We understand that the Council applies Prince2 to key business projects including applications developments. However, testing of projects with a significant ICT element established that the degree to which projects complied with the methodology, including specifically authorisation requirements, varied from project to project. We note that the authorisation of projects at key project gateways was not always formally documented.</p> <p>If the methodologies are not being complied with, then the ability of the Council to manage resources, skills and technologies required to achieve business objectives within time and on budget, may be adversely affected.</p> <p>There is a risk that without appropriate business sign off on projects, both at initiation and through the project lifecycle that then projects may not satisfy business requirements.</p> <p>We recommend that the Council formalises its approach to project management including formalising the requirements for authorisation of projects by the business both at initiation and through their lifecycle.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>ICT will review procedures and documentation required during testing and user signoff.</p> <p><b>Original response</b></p> <p>Guidelines on Prince2 methodology are available on the Council's intranet, in the ICT 'one-stop-shop'.</p> <p>Appropriate action will be taken to ensure that all projects led by Finance and ICT will follow this methodology and a report to the CMT will be prepared to raise corporate awareness of the issue.</p>	<p>Manager of ICT December 2009</p>



## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b> <i>(continued)</i>			
4	<p><b>April 2009 update</b></p> <p>Although a review of Aggresso user profiles have been reviewed within the period audit, evidence of this review has not been retained.</p> <p>Evidence of the review undertaken should be retained going forward.</p> <p><b>Prior year issue and recommendation</b></p> <p>Our testing established that although rights on the FMIS Agresso system are assigned through defined profiles, there has been no formal approval of these profiles and their associated rights by the business. We understand that there is limited visibility of segregation of duties enforced on this system.</p> <p>Without adequate segregation of duties there is a risk that users have access rights in excess of that which they require for their role then segregation of duties cannot be adequately enforced.</p> <p>We recommend that the Council undertakes a full review of access rights on the FMIS Agresso system.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>As original response, but with revised timetable for implementation (from 30 September 2008).</p> <p><b>Original response</b></p> <p>A review of access rights on the FMIS Agresso system will be undertaken.</p>	<p>Manager of Exchequer</p> <p>Immediate</p>
5	<p><b>April 2009 update</b></p> <p>Although this point remains open, we are pleased to note ICT have approached internal customers in order to gauge opinion of the service provided and to identify areas for improvement. In addition, the Council have moved forward with providing ITIL foundation training for key ICT staff. However, SLA's have yet to be defined and agreed by the Council.</p> <p><b>Prior year issue and recommendation</b></p> <p>We understand that there are currently no service level agreements (SLAs) in place between the business departments and ICT for the provision of ICT services. Without SLAs there is a risk that the Council business departments do not receive the level of service expected from ICT.</p> <p>It is recommended that the introduction of formalised service level agreements across ICT operations be considered, including for example backup &amp; restoration, user management and incident management. These SLAs should be documented and formally communicated to relevant stakeholders.</p> <p><i>(Grade three)</i></p>	<p><b>April 09 update</b></p> <p>In the coming year, ICT Service will introduce SLA targets for incidents and will continue to provide ITIL training for ICT staff.</p> <p><b>Original response</b></p> <p>Following a review of the business relationship with all stakeholder groups, a proposal to introduce SLAs across all Council departments will be considered.</p>	<p>Manager of ICT</p> <p>March 2010</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b> <i>(continued)</i>			
6	<p><b>April 2009 update</b></p> <p>Our testing has again identified issues with the leavers process, with staff leavers identified as having access to in scope financial information systems.</p> <p>In addition, we note there continues to be limited response from business areas to the monthly security review undertaken by ICT.</p> <p><b>Prior year issue and recommendation</b></p> <p>ICT circulate user system access lists to departments on a monthly basis and request advice on any changes. However, there is no centralised process to ensure that ICT and payroll security officers are automatically notified of changes to user requirements or leavers to ensure prompt update or revocation of user access.</p> <p>This represents a potential security risk as user system access may not be revoked or appropriately restricted in a timely manner.</p> <p>It is recommended that an immediate review of users with access to the Council's systems should be undertaken to identify active access for any leavers and a formal procedure be implemented to ensure that ICT are notified promptly of leavers to facilitate timely revocation of the user's access.</p> <p>It is further recommended that each department should respond to the ICT user list circulated to advise of any changes to user requirements or to confirm that there have been no changes during the period.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>ICT will introduce a follow up exercise to ensure a leavers return form is received for each application/system.</p> <p><b>Original response</b></p> <p>A procedure was agreed with ICT &amp; Business Development &amp; Personnel to include a section within the termination form to notify ICT &amp; Business Development to permit ICT to terminate users from all systems. The Helpdesk holds a record of all the systems a user has access to.</p> <p>This has not been implemented since there is no centralised Personnel function to administer the notification of leavers.</p> <p>ICT &amp; Business Development will liaise with the user departments to refresh the contact details and develop a pro-forma which will be attached to the lists that will require to be completed and returned within an agreed timescale.</p>	<p>Manager of ICT</p> <p>June 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b> <i>(continued)</i>			
7	<p><b>April 2009 update</b></p> <p>Our testing has provided reasonable assurance that access to super user accounts at both the application and UNIX layers are restricted to authorised personnel. However, the Council have yet to implement a control to periodically monitor the transactions performed by these users.</p> <p><b>Prior year issue and recommendation</b></p> <p>Review of the system access lists noted that a number of super user accounts have been granted in excess of those on the authorised list.</p> <p>The greater the number of accounts with high level access the greater the risk of unauthorised, unrestricted access to data.</p> <p>It is recommended that a review be carried out of high level access accounts with a view to removing when such access is not deemed to be necessary or appropriate.</p> <p>The activity on these super user accounts should be monitored independently and the requirement regularly reviewed.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>Finance &amp; ICT will implement procedures to annually check the actions undertaken using application administrator, and server root access to both Unix and Windows environments.</p> <p><b>Original response</b></p> <p>Super user access will be reviewed and a monitoring procedure put in place.</p>	<p>Head of Finance &amp; ICT December 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b> <i>(continued)</i>			
8	<p><b>April 2009 update</b></p> <p>Although we note improvement with the recording and approval of test results prior to migration of changes to the production environments, limited evidence is retained to demonstrate the sufficiency of this testing.</p> <p>It is recognised the responsibility for performing UAT sits with business system owners in addition to the completion and retention of test documentation. Test evidence should be provided to ICT by business system owners for all changes requiring UAT. In addition, ICT should always request for test evidence as part of the change control workflow and document rationale as to why this has not been provided.</p> <p><b>Prior year issue and recommendation</b></p> <p>We inspected the file of change control form requests created for the systems under review during the period of the audit to date; and although there is a documented process, evidence was not readily available to ensure that the procedure was operating in practice.</p> <p>From our discussions with staff, we understand that the change control process is complied with. However the documentation retention does not provide a clear audit trail of the change from request to processing to the live environment. We are therefore not able to confirm whether the issue is documentary or procedural.</p> <p>It is recommended that the change control procedure should be updated to detail the documentation process.</p> <p>All documentation relating to a system change should be held together and this should include the authorised request, the testing and sign-off, or an indication of when testing is not required, and detail the process taken to implement to live. This will provide an audit trail detailing the purpose of the change and the process taken and will readily facilitate investigations of any issues arising from system changes.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>ICT will combine the current user test sign off and go live authorisation forms to a single form to help simplify the process for users.</p> <p>Finance service will maintain a list of functionality tested during application upgrades.</p> <p><b>Original response</b></p> <p>The change control procedure will be reviewed and streamlined to provide an acceptable audit trail.</p> <p>ICT &amp; Business Development is reviewing the option of retaining the documents on the Document Management system and linking to the Helpdesk call - this is dependant on funding being available.</p>	<p>Head of Finance &amp; ICT</p> <p>September 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations for which further action is required</b> <i>(continued)</i>			
9	<p><b>April 2009 update</b></p> <p>Our testing has again identified that an appropriate change control process is not in place to track changes made to the spreadsheets as only the current version is retained.</p> <p>A change control process should be implemented which tracks changes to previous versions of the spreadsheets in use.</p> <p><b>Prior year issue and recommendation</b></p> <p>During the phase 1 implementation of the FMIS Agresso system, spreadsheets were designed to manage the account table mapping for the interface data conversion.</p> <p>These spreadsheet models were designed originally with the assistance of representatives from Agresso UK, and testing was performed at a summary level to confirm that all account balances were transferred. Subsequent updates are made as requested with no further integrity testing performed.</p> <p>The spreadsheet models are held in a restricted access folder on the network. The spreadsheets have not been password protected and are not independently backed up. The spreadsheets are not managed by version control and no log of changes made is maintained. The spreadsheets perform an integral system function key to ensuring the validity of the financial reporting information and they have taken significant resource effort to create.</p> <p>Therefore, unless strong system controls are applied to the management of these spreadsheets, there is risk of corruption and loss which could have resource implications and cause disruption to business.</p> <p>It is recommended that the following control measures be applied to the account table mapping data conversion spreadsheets:</p> <ul style="list-style-type: none"> <li>• provided the automated process restraints permit, the spreadsheets should be password protected restricting modification;</li> <li>• validation of changes made to the tables should be performed regularly to ensure the spreadsheets continue to operate with integrity; and</li> <li>• changes to the spreadsheets should be version control managed with a clear record of the changes made for each conversion.</li> </ul> <p>Using a structured system approach to the management of the spreadsheets will help to ensure that the spreadsheets function as required and prevent loss or corruption of data.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>As original response, but with revised timetable for implementation (from 31 December 2007).</p> <p><b>Original response</b></p> <p>Recommendations will be fully investigated and changes implemented as required.</p> <p>Phase II of the project is addressing the look up tables and conversion routines and replacing with proper interfaces from system to system.</p> <p>ICT &amp; Business Development have recommended that due to the risk associated to the conversion process and the resources required that this is given high priority in phase II.</p>	<p>Manager of exchequer</p> <p>31 May 2009</p>

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations which are now closed, or superceded</b>			
<b>1</b>	<p><b>April 2009 update</b></p> <p>Superseded &amp; therefore closed – see new recommendation number five raised.</p> <p><b>Prior year issue and recommendation</b></p> <p>We understand that the Council is currently in the process of developing a business continuity plan. An annual disaster recovery test is now undertaken once a year for one key system. However, given that only one key system is tested each year some systems have yet to be tested. Specifically, we note that the FMIS Agresso system has never been tested as part of a disaster recovery test.</p> <p>Without an adequate disaster recovery procedure there is a risk that management may not be able to recover critical files and systems in the event of a disaster.</p> <p>We recommend a full exercise be undertaken to assess the criticality of key business applications and establish priorities for the restoration of systems in the event of a disaster.</p> <p>For systems identified as critical we recommend that a more complete disaster recovery test be undertaken annually to ensure that these systems can be recovered fully, in an acceptable timescale in the event of a disaster.</p> <p><i>(Grade one)</i></p>	<p><b>April 09 update</b></p> <p>n/a</p> <p><b>Original response</b></p> <p>The disaster recovery test of the FMIS Agresso is scheduled for September 2008.</p> <p>The disaster recovery procedure / strategy is currently under review following the restructure of the Council and to address new systems introduced.</p> <p>Once updated, the document will be passed to the CMT for agreement of priorities for the restoration of critical business systems.</p> <p>The disaster recovery testing is restricted due to the financial costs.</p>	n/a
<b>2</b>	<p><b>April 2009 update</b></p> <p>Superseded &amp; therefore closed – see new recommendation number five raised.</p> <p><b>Prior year issue and recommendation</b></p> <p>Currently the Council assess all data as critical and performs no classification of data held. As such there is a risk that there will be a poor utilisation of storage resources or excessive demand on backup processes. There is a risk that without adequate data classification the Council may not be able to address compliance audits or legal discovery challenges.</p> <p>We understand that the Council is considering data classification as part of their data warehousing project. We recommend that the Council undertakes an exercise led by the business departments to classify data held based upon business criticality.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>n/a</p> <p><b>Original response</b></p> <p>The backup procedures currently address the business needs and are prioritised accordingly, however, this will be further reviewed as part of the disaster recovery procedure which will include the classification of data and address changes where required.</p>	n/a

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations which are now closed, or superceded</b> <i>(continued)</i>			
<b>3</b>	<p><b>April 2009 update</b></p> <p>Superseded &amp; therefore closed – see new recommendation number three raised.</p> <p><b>Prior year issue and recommendation</b></p> <p>We understand that some issues regarding the backup of the FMIS Agresso system had arisen during the year. Testing established that for some of the days sampled the backup did not complete successfully and further, no evidence was available to demonstrate remediation of issues identified.</p> <p>Without the adequate backup of key systems there is a risk that management may not be able to recover critical files and systems in the event of an incident which affects the availability of key systems.</p> <p>We understand the Council is currently investigating this issue and identifying required actions.</p> <p>We recommend that the Council takes action to ensure that critical data is being regularly backed up by enhancing the current technical solution.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>n/a</p> <p><b>Original response</b></p> <p>This will be addressed as part of the overall review of the data classification.</p>	n/a

## Appendix two – IT general controls action plan (continued)

No.	Issue and recommendation	Management response	Officer and due date
<b>Recommendations which are now closed, or superceded</b> <i>(continued)</i>			
4	<p><b>April 2009 update</b></p> <p>We understand the Council are aiming to replace Cyborg with a new payroll and HR system in 2009. In addition, we note Race is also targeted to be replaced within the same timescales. The implementation of both systems are considered dependencies in order to implement automated interfaces to the Agresso system. In addition, consideration is now being given to upgrading Agresso to either v5.5 or 5.6 as the current version of the software will soon not be supported by the vendor. This would supersede the need to implement a phase 2 of the original project.</p> <p>In light of this, we consider this point to be closed as the Council do not intend to move to phase 2. The Council have informed KPMG future Agresso upgrades and the implementation of new systems which interface with Agresso will be appropriately managed. We will therefore inspect these projects once implemented.</p> <p><b>Prior year issue and recommendation</b></p> <p>The FMIS Agresso was implemented with a go live date of 01/04/2006. Project documentation was inspected as part of our review. The Council policy is to follow a modified Prince2 project methodology. However, the process followed and documentation of the approach did not always support this.</p> <p>Although Council project management was identified as a critical success factor in the PID, initially this responsibility was assumed by a representative of the suppliers, Agresso UK, until it was recognised that a more hands-on approach was needed to ensure the project was directed in accordance with the Council's requirements and prioritisation. This may have impacted on meeting milestone targets and benefit realisation.</p> <p>A testing plan was agreed with the suppliers, Agresso UK and tested successfully. However, evidence of testing sign-off was not available for inspection. Formal documentation of the testing process, outcomes and completion sign-off is essential in understanding and resolving issues both before and after going live. The post implementation review does also not comprehensively evaluate the successes and issues over the life of the project. This is required to benefit from lessons learned during the project.</p> <p>It is recommended that Council resources are identified to assume the responsibilities of the project management for Phase II of the FMIS Agresso system implementation.</p> <p>Resources should be allocated to perform robust user acceptance testing, and documentation should be maintained which clearly defines the testing process and outcomes. Business acceptance sign-off should also be completed prior to implementing the live environment.</p> <p>After the system has gone live a post implementation review should be undertaken with feedback from all involved parties to ensure action plans are in place to resolve outstanding issues, and lessons learned contribute towards the success of future projects.</p> <p><i>(Grade two)</i></p>	<p><b>April 09 update</b></p> <p>n/a</p> <p><b>Original response</b></p> <p>ICT &amp; Business Development have a part-time technical resource for FMIS phase II.</p> <p>ICT &amp; Business Development welcome the recommendation regarding the acceptance testing.</p> <p>ICT &amp; Business Development have standards and procedures in place for acceptance testing which should have been adopted and followed by to ensure that no work is implemented into the live environment without full testing and documentation.</p> <p>A post implementation review was carried out by Finance and a snag list has been produced. ICT &amp; Business Development have recommended that all outstanding problems are resolved before commencing with Phase II.</p> <p>Finance are currently creating a phase II project plan prioritising the work.</p>	n/a



## Appendix three - Timetable update

We communicate with management and the audit committee at each stage of the audit process to help reduce the likelihood of surprises.

Timing	Activity	Update
December 2008 – February 2009	Planning	Complete
11 March 2009	Presentation of audit plan overview to the audit committee	Complete – presented on rescheduled date (25 March 2009)
March 2009 – April 2009	Audit fieldwork to assess and update our understanding of financial and business processes and to identify and test controls	Complete
31 March 2009	Submission to Audit Scotland in respect of the Priorities and Risks Framework	Complete
31 May 2009	Interim management report	Complete
July 2009 – September 2009	Completion of financial statements audit work	On-schedule
31 July 2009	Completion of review of trading operations	On-schedule
By 31 August 2009	Submission to Audit Scotland in respect of Statutory Performance Indicators	On-schedule
4 & 11 September 2009	Draft and finalised audit report to those charged with governance	On-schedule
23 September 2009	Audit committee to review accounts and report to those charged with governance	On-schedule
By 30 September 2009	Signed accounts issued to Audit Scotland	On-schedule
By 31 October 2009	Annual audit report to the members of the Council and the Controller of Audit	On-schedule