

**NORTH YORKSHIRE COUNTY COUNCIL****AUDIT COMMITTEE****24 SEPTEMBER 2015****INTERNAL AUDIT REPORT ON INFORMATION TECHNOLOGY, CORPORATE THEMES AND CONTRACTS****Report of the Head of Internal Audit****1.0 PURPOSE OF THE REPORT**

- 1.1 To inform Members of the **internal audit work** completed during the year to 31 August 2015 in respect of information technology (IT), corporate themes and contracts and to give an opinion on the systems of internal control in respect of these areas.

**2.0 BACKGROUND**

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to IT, corporate themes and contracts, the Committee receives assurance through the work of internal audit (provided by Veritau) as well as receiving copies of relevant corporate and directorate risk registers. Veritau engages a specialist contractor to support the provision of IT audit services. Since 1 April 2013, that service has been provided by Audit North. Details of the IT audit plan (to March 2016) prepared by Audit North, were presented to the Committee in June 2015.
- 2.2 This report considers the work carried out by Veritau and Audit North during the period to 31 August 2015. It should be noted that the internal audit work referred to in this report tends to be cross cutting in nature and therefore there are no corresponding Statements of Assurance (SoA) or directorate risk registers.
- 2.3 The Corporate Risk Register (CRR) is fully reviewed every year and updated by the Chief Executive and Management Board in September / October. A six monthly review is then carried out in April / May. Details of the Corporate Risk Register were presented to the Committee in June 2015. There have been no significant changes in the County Council's risk profile since that date. A copy of the updated Corporate Risk Register will be presented to the committee once the current review is completed.

**3.0 WORK CARRIED OUT DURING THE YEAR TO 31 AUGUST 2015**

- 3.1 Summaries of the internal audit work undertaken and the reports issued in the period are attached as follows:

IT audit assurance and related work	<b>Appendix 1</b>
Corporate assurance	<b>Appendix 2</b>
Contracts and procurement	<b>Appendix 3</b>

- 3.2 Internal Audit has also been involved in a number of related areas, including:
- providing advice on corporate governance arrangements and IT related controls;
  - providing advice and support to assist the mobile device encryption project and ICT project and programme management;
  - providing advice and guidance to directorates and schools on ad hoc contract queries and on matters of compliance with the County Council's Contract and LMS Procedure Rules;
  - attending meetings of the Corporate Information Governance Group (CIGG), the Corporate Procurement Group (CPG) and various project groups relating to 2020 North Yorkshire;
  - contributing to the development of the NYCC procurement strategic action plan, including participation in a number of delivery areas;
  - contributing to the annual review and update of the County Council's Financial, Contract and Property Procedure Rules;
  - reviewing the final accounts for capital projects. Using a risk based process, Veritau auditors identify those projects which need to be reviewed in more detail and request the relevant documentation;
  - carrying out a number of special investigations into corporate or contract related matters that have either been communicated via the whistleblowers' hotline or have arisen from issues and concerns raised with Veritau by management.
- 3.3 As with previous audit reports an overall opinion has been given for each of the specific systems or areas under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in control identified. Where weaknesses are identified then remedial actions will be agreed with management. Each agreed action has been given a priority ranking. The opinions and priority rankings used by Veritau are detailed in **appendix 4**.
- 3.4 It is important that agreed actions are formally followed up to ensure that they have been implemented. Veritau formally follow up all agreed actions on a quarterly basis, taking account of the timescales previously agreed with management for implementation. **On the basis of the follow up work undertaken during the year, the Head of Internal Audit is satisfied with the progress that has been made by management to implement previously agreed actions necessary to address identified control weaknesses.**
- 3.5 All internal audit work undertaken by Veritau is based on an Audit Risk Assessment. Areas that are assessed as well controlled or low risk tend to be reviewed less often with audit work instead focused on the areas of highest

risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern.

#### 4.0 **AUDIT OPINION**

4.1 Veritau performs its work in accordance with the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant standard (2450) states that the chief audit executive (CAE)<sup>1</sup> should provide an annual report to the board<sup>2</sup>. The report should include:

- (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
- (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
- (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
- (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
- (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
- (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

4.2 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating across the three functional areas is that it provides **Substantial Assurance**. There are no qualifications to this opinion. With the exception of IT audit, no reliance has been placed on the work of other assurance bodies in reaching this opinion. As noted above, the Head of Internal Audit commissioned specialist IT audit services during the period from Audit North to support the delivery of this aspect of the Audit Plan. The Head of Internal Audit is satisfied with the quality of this work and has therefore placed reliance upon it in reaching his opinion.

#### 5.0 **RECOMMENDATION**

5.1 That Members consider the information provided in this report and determine whether they are satisfied that the overall control environment operating in respect of information technology, corporate and contract arrangements is both adequate and effective.

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<sup>1</sup> For the County Council this is the Head of Internal Audit.

<sup>2</sup> For the County Council this is the Audit Committee.

Max Thomas  
Head of Internal Audit

Veritau Ltd  
County Hall  
Northallerton

11 September 2015

## **BACKGROUND DOCUMENTS**

Relevant audit reports kept by Veritau Ltd at 50 South Parade, Northallerton.

Report prepared and presented by Max Thomas, Head of Internal Audit (Veritau).

## INFORMATION TECHNOLOGY - FINAL AUDIT REPORTS ISSUED IN THE YEAR TO 31 AUGUST 2015

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	North Yorkshire 2020 – Lagan Project Management Controls	Reasonable Assurance	The audit reviewed whether an appropriate project management framework had been established, taking account of the size, complexity and regulatory requirements of the project, and the framework was sufficient to ensure delivery of the project objectives.	June 2015	<p>The Lagan Upgrade project was managed by an experienced project manager and was found to be well controlled. The audit found a small number of areas where controls could have been improved and these issues should therefore be considered in the establishment and management of future projects. The two main areas were:</p> <ul style="list-style-type: none"> <li>• the need to design a structured approach for system testing</li> <li>• ensuring project management documentation is complete and contains sufficient information required for managing and controlling the project.</li> </ul> <p>Since the closure of the project, Technology and Change has revised its project management methodology and sought to introduce a standardised approach, underpinned by a suite of template documents.</p>	<p><b>One P2 and One P3 action were agreed</b></p> <p><b>Responsible officer</b> Head of Projects and Programmes</p> <p>A health check has been developed to be used on a sample of projects to check completion of core document.</p> <p>Work to commence on development of an IT project lifecycle which will map to the generic project lifecycle and will cover standards, templates, checklists for specifications, test documentation etc. linked to ITIL standards</p>
B	Programme Management	Reasonable Assurance	The audit reviewed the programme management framework in place for IT	February 2015	Technology and Change (T&C) has made good progress in introducing a framework and documentation for	<p><b>Three P2 actions were agreed</b></p> <p><b>Responsible officer</b></p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			projects to ensure that there is formal identification, approval, prioritisation and co-ordination at relevant stages.		<p>processing and managing project requests. A number of areas of good practices were being introduced including: wider roll-out of Project Vision (project management software), revised governance arrangements for assessing the viability of a project against set criteria, and the utilisation of Business Partner roles to assist with engaging the business in new ways of working.</p> <p>Further improvements could be made in the design of the framework to help capture and monitor benefits and also in risk management.</p>	<p>Head of Projects and Programmes</p> <p>A clear benefits management framework to be introduced for all projects realising benefits, including how benefits will be captured, monitored and reported post-project closure. A standard approach to risk management is to be developed for all projects. Workshops on the framework and risk management approach to be included as part of a training strategy</p>
C	MyView - general IT controls	Substantial Assurance	The audit reviewed the controls in place to maintain the confidentiality, integrity and availability of information stored and processed using the ResourceLink and MyView systems.	December 2014	<p>Good controls were found to be in place, including user access controls and system documentation. However, some areas required improvement, including:</p> <ul style="list-style-type: none"> <li>records were not provided by the supplier detailing when, by whom and which updates had been applied to the operating systems or the Oracle database software</li> <li>the latest available AIX UNIX operating system had not been installed on the ResourceLink / MyView system servers</li> </ul>	<p><b>Five P3 and One P2 actions were agreed</b></p> <p><b>Responsible officer</b> Head of Employment Support Services</p> <p>All recommendations have been agreed and processes will be changed to ensure processes are in line with general IT systems requirements in relation to passwords and change control System provider to be contacted in relation to back-up, testing and system changes</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<ul style="list-style-type: none"> <li>• there were limited password settings available for configuration within ResouceLink and MyView Passwords in both systems were not subject to complexity requirements and there was no password history retained</li> <li>• operator accounts assigned the 'Supervisor' profile were not subject to lock out after three failed logon attempts</li> <li>• confirmation was not provided by the supplier regarding the processes in place for checking the success / failure of backups</li> <li>• disaster recovery testing was not undertaken on a regular basis</li> <li>• the change control process followed by the ESS Support Team did not follow the corporate change control policy.</li> </ul>	
D	EDRMS General Controls 2014 - 15	Reasonable Assurance	The audit reviewed the controls in place to maintain the confidentiality, integrity and availability of information stored and processed using Wisdom EDRMS.	January 2015	A number of controls were found to be working well including user management processes, the assignment of access controls and the maintenance of system documentation. However, weaknesses were found in relation to disaster recovery and business	<p><b>Three P2 and Two P3 actions were agreed</b></p> <p><b>Responsible officer</b> Assistant Director Technology and Change</p> <p>System infrastructure to be</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					<p>continuity planning.</p> <p>The versions of SQL server and windows used by the system were out of date and there were some issues around system configuration</p> <p>Documentation had not been developed to detail the types of changes that need to follow the corporate change management process (major) compared to business as usual changes (to be carried out by the EDRMS Support Team).</p>	<p>upgraded to move onto latest versions and to assist in disaster recovery processes</p> <p>Guidance document to be produced explaining the different types of change requests for Wisdom (major changes or business as usual).</p> <p>Corporate Systems Team Business Continuity Plan is currently under development.</p>
E	IT Procurement	Reasonable Assurance	The audit examined the procedures and standards followed for IT related procurement to ensure they were consistent with the corporate procurement process and the Council's contract procedure rules.	April 2015	<p>The control environment was generally effective. However, the audit identified a number of weaknesses in control, including:</p> <ul style="list-style-type: none"> <li>• there was no formal process in place for requesting new ICT equipment for end users</li> <li>• there was no IT procurement policy or strategy in place to define the approach to take or expected standards</li> <li>• the ICT Sourcing Strategy was only in draft</li> </ul>	<p><b>Two P2 actions were agreed</b></p> <p><b>Responsible officer</b> Procurement and Quality Assurance Manager</p> <p>All ICT equipment purchases will be done using the new Oracle P2P iProc system when rolled out to the service during 2015.</p> <p>The ICT Sourcing Strategy has been finalised, approved within Technology and Change and presented to the Corporate Procurement Group.</p>



## Appendix 2

### CORPORATE THEMES - FINAL AUDIT REPORTS ISSUED IN THE YEAR TO 31 AUGUST 2015

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Information Security compliance audits	Various	Unannounced audit visits are made to offices and establishments across the County Council. The visits are intended to assess the extent to which personal and sensitive data is being held and processed securely. The visits also consider the security of assets, particularly mobile electronic devices and other portable equipment. Fifteen reports were finalised during the period covering separate areas of County Hall and other buildings.	Various	<p>Following each visit, a detailed report was sent to the Senior Information Risk Owner (SIRO), as well as to relevant directorate managers. The findings have also been discussed by the Corporate Information Governance Group (CIGG).</p> <p>Working practices were found to be weak in a number of instances. The audit opinions for the fifteen visits was as follows:</p> <ul style="list-style-type: none"> <li>• seven visits were classified as Limited Assurance</li> <li>• three as Reasonable Assurance</li> <li>• two as Substantial Assurance</li> <li>• three as High Assurance.</li> </ul>	<p><b>Various P1, P2 and P3 actions were agreed</b></p> <p><b>Responsible Officer:</b> Corporate Director - Strategic Resources (and others)</p> <p>Responses have been obtained to each report. Management have viewed the findings extremely seriously and have taken immediate action where issues have been discovered.</p> <p>Follow up visits have been arranged where significant information risks have been identified.</p> <p>A programme of further visits is currently being prepared.</p>
B	Superfast Broadband	No opinion given	NYCC was selected as one of four national pilots for the rollout of Superfast Broadband. The Council is therefore one of the first to be rolling out Superfast Broadband to a largely rural area.	March 2015	No significant control weaknesses were found. At the time of the audit, NYnet were on target to meet all of the performance objectives necessary to draw down 100% of the ERDF funding.	There were no actions required.

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			<p>The procurement and management of the delivery of the Superfast Broadband network for NYCC is managed by NYnet.</p> <p>The objectives of the audit were to:</p> <ul style="list-style-type: none"> <li>• review the procurement process including consideration of how the inherent risks of ERDF funding were being managed</li> <li>• assess the internal control environment NYnet has in place and appraise how the delivery of schemes is being monitored</li> </ul>		<p>The risks associated with ERDF funding were being effectively managed. NYnet has an effective process in place for checking performance information prior to releasing each payment. ERDF auditors have also recently reviewed these processes and did not identify any issues.</p>	
C	Payroll (follow up)	No opinion given	<p>An audit of Payroll took place in 2013/14 and the final report was issued in February 2014. The overall opinion was limited assurance and nine findings were raised including a priority one finding. This audit concentrated on testing to ensure that effective action had been taken to address the weaknesses identified in the original audit.</p>	July 2015	<p>A significant number of improvements have been made within the service, particularly in relation to measures implemented to check and log errors, customer feedback and performance reporting, and the provision of guidance and training for ESS staff.</p> <p>Whilst most of the actions arising from the 2013/14 audit were found to have been implemented, three actions had not been fully completed</p>	Revised implementation dates were agreed with the Head of Employment Support Services

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					and required revised implementation dates.	
D	'One Council' initiative	No opinion given	<p>The 'One Council' programme was a five year initiative and was, in part, a response to the financial constraints placed on local authorities by central government.</p> <p>The vision of One Council was to simplify, standardise and share resources across the Council, with the aim to reduce costs, whilst continuing to deliver customer focussed services.</p> <p>Senior management were keen to evaluate the success of the One Council programme and to identify any lessons learnt for future change management projects. In particular, it was recognised that there were opportunities to use the learning gained to help support the roll out for the 2020 NY programme. It is also good project management practice to evaluate whether major projects have achieved the agreed objectives and expected outcomes.</p>	August 2015	<p>The audit took the form of a high level review. Meetings were held with a number of Assistant Directors and other key staff involved in the One Council project to evaluate how the project had been managed and to consider whether the original objectives and expected outcomes had been achieved.</p> <p>A number of areas of potential learning were highlighted.</p> <p>There was good self awareness from senior management of those areas of the One Council programme which had worked well but also where the project had weaknesses. The council is using that awareness to help shape the 2020 programme.</p>	There were no specific actions required.

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
E	Business Risk Management	Substantial Assurance	The audit examined the Council's arrangements for managing risk. The systems for identifying, evaluating and recording risks were examined. The processes for determining risk appetite, obtaining assurances to support mitigating actions, training and management reporting were also examined.	June 2015	The audit found that the systems and processes for risk management were operating well. A few areas for possible improvement were highlighted, including the need to provide further training for Members.	<p><b>One P3 action was agreed.</b></p> <p><b>Responsible Officer</b> Corporate Risk and Insurance Manager.</p> <p>Training requirements for Members will be considered by the Corporate Governance Officer Group.</p>

## Appendix 3

### CONTRACTS - FINAL AUDIT REPORTS ISSUED IN THE YEAR TO 31 AUGUST 2015

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken	
A	NYCC framework agreements	Substantial Assurance	Framework agreements are typically used where there is a need to purchase particular products or services, but the actual volumes required and timings are not known in advance. Examples include office supplies, IT equipment or consultancy services. The audit reviewed: <ul style="list-style-type: none"> <li>• compliance with OJEU procurement regulations and the Council's contract procedure rules</li> <li>• the arrangements in place to evaluate the performance, quality, price and value received from the framework contracts.</li> </ul>	October 2014	A sample of framework contracts was reviewed. No significant control weaknesses were found but a number of observations were made relating to specific contracts. For example, there were instances where framework contracts had been arranged but were not being used. There was also one instance where the YORtender procurement portal had not been used correctly.	<b>Three P3 and One P2 Actions were agreed</b>  <b>Responsible Officer</b> Assistant Director Strategic Services - Procurement
B	Capital Contract Catterick Bridge	High Assurance	Each year the County Council undertakes a number of capital works to help improve and maintain the condition of its buildings and other assets.  The audit reviewed the contract for the Catterick	November 2014	The audit found that the systems and processes for contract management were operating well.  Comprehensive site and project management records ensured the project was completed in line with Council procedures. The contract	There were no agreed actions required

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			Bridge masonry repair works scheme.		variations, of which there were very few, were correctly identified and appropriately authorised.	
C	Revenue Contract - Schools ICT	Substantial Assurance	<p>Schools' ICT is a traded service of the County Council.</p> <p>The audit reviewed the Schools' ICT procurement procedures to ensure they complied with both OJEU procurement regulations and the Council's contract procedure rules.</p>	March 2015	<p>Schools' ICT procurement is managed to meet customer demand. The audit found that the systems in place were orientated towards achieving value for money (the service faces strong competition within the market place). However, the following control weaknesses were noted:</p> <ul style="list-style-type: none"> <li>• the YORtender procurement portal was not being used</li> <li>• evidence of quotations was not always being retained</li> <li>• the correct number of suppliers were not always being invited to tender where government framework contracts were being used.</li> </ul>	<p><b>One P2 and Two P3 Actions were agreed</b></p> <p><b>Responsible Officer</b> Head of Architecture Technology and Change</p> <p>All of the agreed actions related to the department needing to utilise the YORTender system for future procurement exercises</p>

## AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

<b>Audit Opinions</b>	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
<b>Opinion</b>	<b>Assessment of internal control</b>
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

<b>Priorities for Actions</b>	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.