
Report to Scrutiny Committee

Date of Meeting: 20 May 2010

Subject: Internal Audit Progress Report - 31 March 2010

Report by: Finance Manager

1.0 Purpose

- 1.1. This report provides the quarterly update on the progress of the Internal Audit Annual Plan, as approved by Scrutiny Committee on 9 April 2009, in accordance with the Financial Regulations.
- 1.2. The report also provides the quarterly update on the progress of implementation of recommendations by Officers from previous Internal Audit Reports.

2.0 Recommendations

- 2.1. The Committee is asked to note the report and progress made to 31 March 2010.

3.0 Considerations

- 3.1. Progress on completion of the Annual Plan 2009-10, is summarised in the table below, with more detail being provided in Appendix A. Progress is still underway on reports from earlier Annual Plans.

Status of Audits	31 Mar 10	%	31 Dec 09
To be Commenced	-	-	4
Onsite/Ongoing	2	13%	10
Draft Report Issued	9	60%	2
Final Report Issued	4	27%	-
Total	15	100%	16

- 3.2. At 31 March 2010, three audits in the 2009-10 Plan have commenced onsite, with thirteen having the audit work completed and the reports issued in draft. Management comments are being agreed. Two audits have had reports issued in final from the 2008/09 Plan, with two issued in final from the 2009/10 Plan.
- 3.3. A review of child protection was included in the Annual Plan 2009/10. When Internal Audit contacted Senior Management (Child Care) to start planning and scope the audit, it was confirmed that the external regulators would also be undertaking an inspection in January 2010. Internal Audit have reviewed, the Minutes of Meeting with HMIE and the HIME Report and are satisfied that no additional independent review is required. The HMIE report makes recommendations which have been accepted and Internal Audit are satisfied that these together with the existing arrangements, manage the risks in this area. Accordingly no further work by Internal Audit is required.

Final Reports

- 3.4. Two reports have been issued in final from the 2009/10 Plan. In addition, two audit reports have been issued in final from the 2008-09 Plan. Of the four reports issued in final, the following four are summarised for members in Appendix B to E. :-
- Allocation of Council Housing (Appendix B)
 - Council Tax (Appendix C)
 - Data Protection (Appendix D)
 - Information Security (Appendix E)

Progress of Follow Up

- 3.5. Within Action Plans from previous Internal Audit Reports, there were one hundred and eighteen recommendations which were due to be implemented by 31 March 2010, arising from nineteen reports. The progress made by Officers on these recommendations is summarised in Appendix G and where not sufficiently implemented, revised dates have been agreed for all recommendations.

4.0 Sustainability Implications

- 4.1. There are no sustainability implications.

5.0 Resource Implications

5.1. Financial Details

- 5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. *Staffing*

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities 2008 - 2011** (Please double click on the check box)

The area has a positive image and attracts people and businesses	<input type="checkbox"/>
Our communities are more cohesive and inclusive	<input type="checkbox"/>
People are better skilled, trained and ready for learning and employment	<input type="checkbox"/>
Our communities are safer	<input type="checkbox"/>
Vulnerable people and families are supported	<input type="checkbox"/>
Substance misuse and its effects are reduced	<input type="checkbox"/>
Health is improving and health inequalities are reducing	<input type="checkbox"/>
The environment is protected and enhanced for all	<input type="checkbox"/>
The Council is effective, efficient and recognised for excellence	<input checked="" type="checkbox"/>

(2) **Council Policies** (Please detail)

Financial Regulations.

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

Appendix A - Progress on Approved Internal Audit Annual Plan

Appendix B - Allocation of Council Housing

Appendix C - Council Tax

Appendix D – Data Protection

Appendix E – Information Security

Appendix F - Definition of Assurance Assessments and Priorities

Appendix G - Progress of Follow Up of Internal Audit Reports

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

NAME	DESIGNATION	TEL NO / EXTENSION
Susan Mackay	Finance Manager	452047

Approved by

NAME	DESIGNATION	SIGNATURE
Susan MacKay	Finance Manager	Signed: S MacKay
Angela Leitch	Chief Executive	Signed: A Leitch

PROGRESS ON APPROVED INTERNAL AUDIT ANNUAL PLAN

APPENDIX A

Audit	Annual Plan	Service	Weeks	Progress
Management of PPP Contracts	2009-10	Corporate	6	Draft Report Issued
Information Security	2009-10	Corporate	6	Final Report Issued
Procurement	2009-10	Education	6	Draft Report Issued
Capital Expenditure	2009-10	Finance	6	Draft Report Issued
Purchase Ordering, Invoicing and Payment	2009-10	Finance	6	Final Report Issued
Gas Inspections in Council Housing	2009-10	Housing	5	Draft Report Issued
Data Protection	2009-10	HR	6	Final Report Issued
Management of Client Monies	2009-10	Social Work	6	Draft Report Issued
Management of MAPAA	2009-10	Social Work	6	Draft Report Issued
Purchase Cards	2009-10	Corporate	5	Final Report Issued
Financial and Operating Controls x 3	2009-10	Education	8	Draft Report Issued
Waste Management	2009-10	Environmental	6	Draft Report Issued
Fleet Management	2009-10	Property Services	6	On going
Governance	2009-10	Related Companies	6	On going
Governance	2009-10	Valuation Joint Board	4	Draft Report Issued
Allocation of Council Housing	2008-09	Services To People	5	Final Report Issued
Governance	2008-09	Chief Executive	6	Draft Report Issued
Capital Contract Management	2008-09	Property Services	-	Draft Report Issued
Council Tax	2008-09	Corporate Development	5	Final Report Issued

1. INTRODUCTION

- 1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed the allocations processes within Housing, as part of the Audit Plan for 2008-09, which was approved by Scrutiny Committee on 27 March 2008.

2. SCOPE AND OBJECTIVES

- 2.1 The scope of the audit included review of the processing of housing applications for Council houses, identifying suitable applicants from the waiting list, processing tenancy arrangements and management and repair of void properties. The scope did not include review of the rental charge applied against the property, value for money of the void repairs or the undertaking of routine maintenance.
- 2.2 The objective of the audit is to provide assurance on the controls within allocation and relets. Six key controls were identified and tested and the adequacy of the internal controls were established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. A definition of the assurance assessments is provided in Appendix A. The key controls and assessments are as follows

Key Control	Assurance Assessment
There is a formal approved Allocations and Voids Policy in place.	Reasonable
There is adequate procedural guidance in place for staff compliance with policy.	Reasonable
All suitable applications are updated accurately and timely to the Council Waiting List.	Limited
Council properties are allocated to the applicants with the greatest housing need.	Significant
A formal signed tenancy agreement is held for each Council tenant.	Significant
Void repairs are ordered and completed adequately on a timely basis.	Significant

3. SYSTEM OVERVIEW AND AUDIT OPINION

- 3.1 There are reasonable controls in place in relation to the allocations, letting and void processes.
- 3.2 From the testing undertaken, the following strengths were identified:-
- There are formal approved Allocations and Voids policies,
 - There are documented procedures and staff are aware of processes,
 - The applicant with the greatest need is selected for housing and this is clearly documented and demonstrated,

- A formal tenant agreement is signed and retained,
- Void properties are turned around promptly by PCU,
- Properties handed back to the Allocations and Voids team are let promptly.

3.3 From the testing undertaken, the following areas for improvement were identified:-

- Personal data is not retained securely or held only for a defined retention period,
- Letters confirming points awarded and Band awards are not always communicated promptly to applicants,
- The waiting list of applicants has not been reviewed on an annual basis,
- Equal opportunities information collected on the application form is not held confidentially or anonymised.

4. RECOMMENDATIONS

4.1 A summary of the recommendations raised from this audit are included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2 The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	3
Priority 2	9
Priority 3	6
Priority 4	-

1. INTRODUCTION

1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed the Council Tax processes within Corporate Development as part of the Audit Plan for 2008-09, which was approved by Scrutiny Committee on 27 March 2008.

2. SCOPE AND OBJECTIVES

2.1 The objective of the audit was to provide assurance to management that there are controls in place within the Council Tax arrangements to manage the risk affecting this area. The scope of the audit included annual billing, collection, current and previous year arrears recovery, write offs and reporting. The audit did not include consideration of appropriateness of Council Tax charges.

2.2 The objectives of the audit were to provide assurance on the following controls. Seven control objectives were identified and tested and the adequacy of the internal controls were established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. A definition of the assurance assessments is provided in Appendix A. The control objectives and assessments were as follows:-

Key Control	Assurance Assessment
There is a Council Tax Policy, which has been approved by Council	Significant
There is adequate guidance for all staff involved in the Council Tax process	Reasonable
Billing of Council Tax is undertaken on a timely basis and is accurate and complete	Significant
Different payments methods are available for Council Tax collection and income received is processed accurately and timeously	Reasonable
Arrears are identified at the earliest opportunity and recovery processes are in operation	Reasonable
All write offs are duly authorised and approved	Reasonable
Ongoing monitoring and reporting is undertaken on Council Tax performance	Reasonable

3. SYSTEM OVERVIEW AND AUDIT OPINION

3.1 There are reasonable controls in place in relation to the Council Tax processes. There is clear segregation of duties, together with independent verification of transactions.

3.2 From the testing undertaken, the following strengths were identified:-

- The Council has in place a Corporate Debt Policy and Corporate Write Off Policy. Both policies were approved by Council on 13 March 2008,
- Revenues staff have access to the Anite User Guide,
- The annual billing process for the Council Tax in 2008/09 and 2009/10 was completed and all bills were sent out within the necessary timeframe,
- New properties are updated to the Council Tax system promptly,
- Council Tax income is processed accurately and timeously through the Council Tax system and the Council's bank accounts,
- There is a reporting of Council Tax collection rates both internally to senior management and members via the information supplied on the Balanced Scorecards to Scrutiny Committee,
- Annual returns were submitted to Audit Scotland on the two Statutory Performance Indicators for Council Tax.

3.3 From the testing undertaken, the following areas for improvement were identified:-

- There has been no examination to ensure that all relevant Council Tax arrears from previous financial years have been passed for recovery to the Sherriff Officer,
- Write offs in 2007/08 and 2008/09 have not been approved by Council or reported to Scrutiny Committee,
- There is minimal ongoing reporting and monitoring on Council Tax arrears levels.

4. RECOMMENDATIONS

4.1 A summary of the recommendations raised from this audit are included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2 The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	-
Priority 2	10
Priority 3	1
Priority 4	-

1. INTRODUCTION

1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed the data protection processes within Human Resources, as part of the Audit Plan for 2009-10, which was approved by Scrutiny Committee on 9 April 2009.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit included review of the collection, processing, storage and retention of all personal data in the Human Resources section.

2.2 The objective of the audit is to provide assurance on the controls within Data Protection. The eight principles defined in the Data Protection Act 1998, were tested and the adequacy of arrangements against the eight principles were established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. A definition of the assurance assessments is provided in Appendix A. The key controls and assessments are as follows:

Key Control	Assurance Assessment
Personal data shall be processed fairly and lawfully.	Reasonable
Personal data shall be obtained only for one or more specified and lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes.	Significant
Personal data shall be adequate, relevant and not excessive in relation to the purpose or purposes for which they are processed.	Reasonable
Personal data shall be accurate and, where necessary, kept up to date.	Reasonable
Personal data processed for any purpose or purposes shall not be kept for longer than is necessary for that purpose or those purposes.	Reasonable
Personal data shall be processed in accordance with the rights of data subjects under this Act.	Significant
Appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.	Reasonable

Personal data shall not be transferred	Not applicable to Human Resources
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<p>to a country or territory outside the European Economic Area, unless that country or territory ensures an adequate level of protection of the rights and freedoms of data subjects in relation to the processing of personal data.</p>	
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3. SYSTEM OVERVIEW AND AUDIT OPINION

3.1 The Data Protection Act 1998 regulates the collection, holding and processing of personal data relating to individuals. The Council must comply with the eight data protection principles. Personal data relates to a living individual who can be identified from the data. Sensitive personal data relates to racial or ethnic origin, political opinions, religious beliefs, beliefs, trade union membership, health, sexual life, criminal activity. The Data Protection Officer is the Head of Strategy and Customer Services with Service Managers accountable for assessing and meeting training needs. All employees are responsible for ensuring data protection compliance.

3.2 There are reasonable controls in place in relation to the data protection processes. Personal data is processed fairly and lawfully with the data collected adequate, relevant and not excessive in relation to the purpose for which it is being processed. There is however unnecessary personal information held within Human Resources. An exercise has been started to remove all superfluous paperwork.

3.3 From the testing undertaken, the following strengths were identified.

Principles 1 and 2

- All categories and purposes of personal data and sensitive personal data have been identified in the Data Protection Register which is reviewed annually.
- Human Resources has legitimate reasons for collecting and using the personal and sensitive personal data. This is in connection with employees' contracts of employment and to comply with the Council's legal obligations.
- Employees provide explicit consent to the processing of personal and sensitive personal information where applicable.
- The fair processing requirements of the Act have been complied with.
- All Human Resources officers are made aware of the requirement to keep information confidential and that they should not take personal information home. The personnel files are not removed from Human Resources.

Principle 3

- Human Resources has identified the minimum amount of information required in order to fulfil its purpose properly. Examples of this are, only recording whether an employee has been cleared or not for Disclosure Scotland checks and a checklist detailing only the minimum personal information to be entered to the Human Resources software system (Compel).
- The standard Human Resources forms dictate the information collected and assist to ensure that data collection procedures are adequate and relevant and not excessive to the purpose for which the data is being processed.

- A framework is being put in place to ensure the relevance of personal data in relation to the purpose for which it is collected with an ongoing compliance review of data held. This is part of the Council-wide Records Management Policy.

Principle 4

- Two HR Coordinators carry out monthly accuracy checks on a random sample of Disclosure Scotland, Occupational Health and new employee records. One officer had not been fully evidencing these checks but is now keeping a record of all checks carried out.
- Employees can check on HR Online to ensure that Human Resources are holding their complete and up to date personal details.

Principle 5

- Retention periods are adhered to for all current employees and unsuccessful candidates with these files destroyed after 12 months. The certificates from Disclosure Scotland are destroyed after 90 days. Human Resources adheres to the Chartered Institute of Personnel and Development (CIPD) recommended retention periods.
- Human Resources is to produce a retention schedule by December 2010 as part of the Council-wide roll out of the Records Management Policy.

Principle 6

- There is a standard pro-forma for all subject access requests. There were no delays identified through testing with Human Resources adhering to the 40-day statutory timescale.

Principle 7

- There is a Corporate I.C.T. Security Policy which includes data protection issues and refers to the BS7799 Code of Practice for Information Security Management.
- Specific guidance on the "Data Protection Act - Good practice and Data Security" was made available to staff on COIN in August 2008.
- The Council has the Internet and E-mail Policy which staff are made aware of when they access the internet with a link to this policy. Staff are required to agree that they comply with the Policy and notified that they may be subject to the Council's disciplinary procedures if they fail to do so.
- Human Resources have a designated officer for information security and data protection, the HR Information Officer.
- An upgrade of Compel was purchased which will assist in increasing the levels of security.
- All current personnel files are securely locked in cabinets. There is additional security of sensitive disciplinary files with access limited to three senior officers.
- Paper copy documents are either shredded or put in confidential waste.

3.3 From the testing undertaken, the following areas for improvement were identified.

Principle 1

- The identity of Clackmannanshire Council as Data Controller is not being clearly identified to individuals.
- There is limited information on Data Protection on ClacksWeb particularly regarding the use of web site users personal data.

Principle 3

- There are personal and sensitive personal data in personnel files which

should be removed. A review of this data has been started.

- There are no checks on the accuracy of information at the stage of input by Human Resources officers to Compel.

Principle 5

- Leavers files are only required to be held for six years. However, there are leavers files going back to 1996.

Principle 7

- There is no control over the complexity of passwords to access Compel and there is no enforced change of passwords.
- Data protection and information security is not specifically referred to in the Inductions process.

4. RECOMMENDATIONS

4.1 A summary of the recommendations raised from this audit are included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.

4.2 The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	-
Priority 2	2
Priority 3	7
Priority 4	-

1. INTRODUCTION

1.1 This report details the recommendations arising from the Internal Audit review. Internal Audit reviewed corporate information security processes, as part of the Audit Plan for 2009-10, which was approved by Scrutiny Committee on 9 April 2009.

2. SCOPE AND OBJECTIVES

2.1 The scope of the audit included review of the controls in place within the information security arrangements, to manage the risk affecting this area. The audit considered physical and IT security controls at corporate and service level, corporate and service guidance, awareness and communication of electronic and paper information security corporately and in services and general compliance with ISO 27001. The scope did not include a detailed review of compliance with ISO 27001 or a detailed audit of IT access and network controls

2.2 Six Control Objectives were identified and tested and the adequacy of the internal controls was established. These internal controls can only provide reasonable and not absolute assurance against misstatement or loss. A definition of the assurance assessments is provided in Appendix A. The control objectives were assessed as follows:

Key Control	Assurance Assessment
There is an information strategy in place supported by approved policy and procedures.	Limited
Officer, member and third party roles and responsibilities in relation to information security are clearly defined and communicated.	Limited
All information held by the Council is identified and classified.	Limited
Suitable security arrangements are in place for information, are continuously monitored and revised where necessary.	Limited
Formal protocols are in place where the Council shares information with a third party.	Limited
Data being removed or used away from Council premises is authorised and adequate security arrangements are in operation.	Limited

3. SYSTEM OVERVIEW AND AUDIT OPINION

3.1 There are poor controls in place in relation to information security processes. There is no formal corporate Information Security Strategy with few officers

aware of existing corporate Information Security policies procedures and guidance. In addition there is little monitoring of Information Security requirements.

- 3.2 From the testing undertaken, the following strengths were identified.
- All 25 officers interviewed are aware that they must not disclose their passwords to anyone else.
 - All systems have anti-virus and anti-spyware installed, which cannot be removed or reconfigured.
 - IT security arrangements are reasonable in relation to the risk of loss or theft and the sensitivity of the information held.
 - Sensitive data is adequately protected when transmitted externally.
- 3.3 From the testing undertaken, the following areas for improvement were identified.
- There is no formal Information Security Strategy.
 - Fewer than 90% of officers surveyed are fully aware of existing corporate security policies, procedures and guidance and relevant statute.
 - There is a lack of formal information security procedures across Council Services.
 - 31% of officers said no-one in their Service is responsible for information security.
 - Information security training is not being carried out.
 - Officers are not generally aware of any formal documentation of information flows.
 - The Council does not have a standard method of classifying its information.
 - Not all systems compel regular changing of passwords.
 - There is little monitoring of compliance with information security requirements.
 - Many officers are unaware of the Council's formal information sharing-protocols.
 - Fewer than 50% of officers know whether their Services maintains a register of laptops or memory sticks.
 - Around 50% of officers are unaware of the Council's Document Retention Policy.
 - Not all archived files are held securely.

4. RECOMMENDATIONS

- 4.1 A summary of the recommendations raised from this audit are included in a Management Action Plan in Appendix B. Management comments, the date for implementation and Responsible Officer have been reflected within the Action Plan.
- 4.2 The Management Action Plan contains the following priority of recommendations. Definitions for the priority assessments are provided in Appendix B.

Priority Assessments	Number
Priority 1	1
Priority 2	13
Priority 3	-
Priority 4	-

DEFINITION OF ASSURANCE ASSESSMENTS AND PRIORITIES APPENDIX F

Assurance	Definitions
Significant Assurance	There are sound controls operating within the system and these are complied with consistently. Risks are being controlled or mitigated. Good practice is in operation.
Reasonable Assurance	There are controls operating within the system. Some improvements could be made to further enhance the control environment. Significant risks are being adequately controlled/mitigated.
Limited Assurance	There are only minimal controls operating and the control environment requires to be improved. Risks are not being controlled/mitigated adequately.
No Assurance	There is an absence of basic controls within the system. A control environment must be established. Risks are not being controlled/mitigated.

Priority	Definition
1	There is a fundamental absence of control(s) which should be addressed immediately.
2	There is an absence of control(s) which should be addressed at the earliest opportunity.
3	There is an immaterial breakdown in control(s) which should be addressed as soon as practically possible.
4	A matter for consideration which is a point of good practice or could improve the effectiveness of the arrangements.

PROGRESS OF FOLLOW UP OF INTERNAL AUDIT REPORTS TO 31 MARCH 2010

APPENDIX G

Report Title	Priority				Number of Recommendations	Recommendations Implemented	Recommendations Outstanding	Priority	
	1	2	3	4				1 - 2	3 - 4
Business Continuity - Emergency	-	5	-	1	6	6	-	-	-
Budgeting Monitoring	2	17	-	-	19	10	9	9	-
Community Chest	-	1	1	-	2	2	-	-	-
Council Imprest	-	1	-	-	1	-	1	1	-
Corporate Network and System	-	1	7	4	12	6	6	1	5
Corporate Procurement	-	1	-	-	1	-	1	1	-
Fixed Asset Register	-	1	-	-	1	-	1	1	-
Funding External Organisations	3	6	1	-	10	6	4	4	-
General Ledger	1	9	2	-	12	7	5	3	2
Health and Safety Management	-	7	3	-	10	7	3	3	-
Housing Procurement	2	3	-	-	5	2	3	3	-
Payroll at Service Level	-	5	-	-	5	1	4	4	-
Purchase Ledger	2	-	1	-	3	1	2	2	-
Regeneration Outcome Agreement	1	1	-	-	2	-	2	2	-
Risk Management and Monitoring	2	13	-	-	15	14	1	1	-
Roads Maintenance	-	8	-	-	8	4	4	4	-
Street Lighting	3	1	-	-	4	-	4	4	-
Sundry Debtors	-	1	-	-	1	-	1	1	-
Throughcare and Aftercare	1	-	-	-	1	1	-	-	-
TOTAL	15	83	15	5	118	67	51	44	7

