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To **Audit and Procurement Committee**

Date **19<sup>th</sup> December 2016**

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Subject **Update on 2015-16 External Audit Findings Report**

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## **1 Background and Purpose of the Note**

This note provides an update on the implementation of recommendations from the 2015/16 External Audit Findings Report.

## **2 External Audit Findings Report**

- 2.1 The Council's External Auditors Grant Thornton are required to issue a Value For Money assessment as part of their audit of the City Council's accounts. For the 2015/16 audit, the auditors issued an opinion that they were satisfied that in all significant respects the Authority had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year. In addition to their overall assessment the auditors will typically issue an action plan that provides any recommendations for improvement. For the 2015/16 auditors an action plan containing 5 such recommendations was issued. The usual process is for this to be followed-up by the External Auditors as part of the following year's audit.
- 2.2 The Audit and Procurement Committee requested an update on implementation of the recommendations when it considered the Annual Audit Letter on 26<sup>th</sup> September 2016. An update on the current implementation is provided in the table attached and this is summarised below.
- 2.3 Recommendations 1, 3 and 5 have been implemented or are progressing in line with the recommended timescale. Recommendations 2 and 4 relate to different aspects of the segregation of duties for the Agresso financial system. The recommended way forward is proving difficult to deliver within the constraints of existing structures and the practicalities of administering monitoring procedures. Further work is under way, seeking guidance from Internal and External Audit and best practice intelligence from other local authorities. Officers will ensure that External Audit are involved closely in developing the final proposed control solutions.

Rec No.	Recommendation	Priority	Current Status	Implementation Date and Responsibility
1.	Management should consider whether it needs to commission a new valuation for its long term investment in Birmingham Airport Holdings Limited for 2016/17.	Medium	This recommendation has been accepted by officers at Coventry City Council. An initial meeting has been held with Solihull Council to agree the parameters and process for commissioning a new valuation. Agreement is being sought from the other West Midlands Councils. The valuation will be provided in time to incorporate within Coventry's final Statement of Accounts due to be agreed in July 2017.	March 2017 Finance Manager (Corporate Finance)
2.	In accordance with generally accepted segregation of IT duties principles, members of the program maintenance group for the Agresso application should not be granted greater than read-only access to production environments. In order to effectively restrict the range of capabilities of users with development access, we recommend that such users have their access removed from the production environment, job scheduling functionality, and direct data-level edit functionality. Alternatively (if management chooses to accept the risks associated with this access), management should implement a formal / documented monitoring process designed to review the actions performed by these individuals in the Agresso production environments. This monitoring can be achieved through after-the-fact reports listing the actions (e.g., transactions posted, queries executed, records updated) performed within production or through use of fire-fighter / fire-call user accounts.	High	A practical solution has not yet been identified in relation to the most appropriate allocation of responsibilities for users with development access who also have access to the production environment, job scheduling functionality, and direct data-level edit. This is complicated due to the small amount of resource that is available to manage this part of the service making it difficult to segregate duties. Allocation of responsibilities to the Money Matters Team within Finance would go against the recommended approach within the Public Service Network return and would exacerbate the concentration of duties referred to in Recommendation 4. Officers are currently seeking further guidance from External Audit on a practical way to fulfil this recommendation.	October 2016 Head of ICT Strategy Systems & Development
3.	Management should make the following improvements to the process for managing leavers: <ul style="list-style-type: none"> <li>• HR should send daily reports of leaver activity to the IT Service Desk.</li> <li>• Service desk tickets should be logged for leavers to enable an audit trail to be maintained of when the termination was requested, when the account was actually disabled and by whom.</li> <li>• All non-payroll employees should be assigned an expiration date on their Windows AD accounts.</li> <li>• All documentation relating to leavers should be clearly identifiable and retained for a period of at least one year.</li> </ul>	High	The AD account is disabled at 5pm on the day of leaving, for payroll leavers whose leaving date is notified by the line manager. This prevents the member of staff signing in to any Council system. For all other leavers the account is disabled once ICT are notified by payroll (via a weekly report). This report is actioned as soon as it is received.  For non-payroll accounts, all accounts are set to expire after 1 month, unless ICT are notified that	31 <sup>st</sup> October  Head of ICT Infrastructure & Operation

			<p>the person is on a longer contract, in which case the account can be given an expiry date of up to 6 months.</p> <p>New user accounts are not set up without an acceptable ticket from our service desk system - System Centre Service Manager</p>	
4.	<p>The responsibility of administering security within Agresso should be transferred to IT system administrators who do not perform financial reporting processes or controls. All security administration rights within Agresso granted to personnel performing financial reporting processes and controls should be revoked. Alternatively, management should implement a formal /documented monitoring process designed to detect misuse of administrative functionality by personnel responsible for performing financial reporting processes or controls.</p>	High	<p>Security Administration rights have been removed from those personnel whose key role relates to financial reporting.</p> <p>Management and Internal Audit are working to devise an appropriate balance of segregation of duties and monitoring processes for the remaining Money Matters staff. Advice is also being sought from national Agresso User Group Council members and neighbouring local authorities.</p>	<p>31st October 2016</p> <p>Finance Manager, Corporate Finance</p>
5.	<p>If the Council is to maintain a sound financial position over the medium term then it needs to:</p> <ul style="list-style-type: none"> <li>• deliver planned savings programmes and draw up detailed plans for how future savings will be generated</li> <li>• continue to keep tight control over its finances</li> <li>• keep the medium term financial plan up-to-date and ensure that it covers a range of potential scenarios.</li> </ul>	High	<p>The Council has published its Pre-Budget Report setting out detailed financial proposals for the next three years. This shows a financial position that is approaching balance over 2017/18 and 2018/19 with a relatively modest Budget gap in 2019/20. The Budget position takes account of a delay in delivery of some savings programmes in 2017/18 which have also affected the in-year budgetary control position for 2016/17. In overall terms the Council is now moving away from broad savings programmes and towards more specific budget proposals. Work is continuing to assess the changes that are occurring in the financial resources available to the Council resulting from Business Rates revaluation and the West Midlands Combined Authority 100% Business Rates Pilot. This will ensure that the medium term financial plan is kept up to date and includes all relevant financial scenarios.</p>	<p>On-going</p> <p>Executive Director of Resources</p>