

Commercial Services Internal Audit

Status Report: Progress against the Internal Audit Work Programme 2013

Internal Audit Review	Progress as at 09 December 2013	Final Report Date	Overall Assessment	Summary of Findings or Additional Comments
ASSURANCE REVIEWS				
1. Laser Billing and Validation	Final Report Issued	05 July 2013	Substantial	<p>The validation routines in GEMS are well established and help Laser to ensure that their customer invoices are produced accurately. During the review management introduced further restrictions over who has the ability to set up and amend these routines in GEMS. Further enhancements have already been noted for the GEMS II project, where estimated usage will form part of the validation routine and an audit trail recording changes to the validation routines will be introduced.</p> <p>We did note in a few instances that the segregation of duties for inputting and checking price data updating GEMS with prices had not always been observed, with the same person both inputting and checking samples, or checks not being carried out. We understand that management will be evaluating the input and checking processes as part of the GEMS II project to try and automate the checking process so all data input is checked.</p>
2. Recruitment	Final Report Issued	11 Sept 2013	Substantial	<p>Comprehensive guidance has been produced by HR for managers in respect of recruitment processes. Testing identified some instance of non compliance by recruiting managers with areas of good business practice. However, the Human Resource (HR) team was aware of such areas and hopes to address these issues by reminding recruiting managers that these documents should be provided to HR and providing training sessions on good recruitment practices in the autumn. Furthermore, the HR team plans to introduce the SAGE online recruitment module during 2014, which will streamline the process, reducing the administration burden on recruiting managers and HR team.</p>
3. Business Disaster Recovery and Business Continuity Planning (BCP)	Final Report Issued	29 Oct 2013	Limited	<p>Although Commercial Services (CS) has a document outlining its BCP arrangements, it is not readily available to all relevant staff and also has not been updated to reflect changes over the last 18 months to senior staff, business operations and key sites. Whilst this document required all CS units to produce their own BCP, our review found some units do not have a BCP or existing BCP's need updating. It was also found that plans have not been subject to testing. Furthermore, CS does not yet have a BCP policy nor has any BCP training been provided to help those staff responsible for managing their unit's BCP arrangements. Governance and oversight for BCP is also weak as there is currently no formal monitoring and reporting mechanism in place to review and check the adequacy of BCP arrangements.</p>

Commercial Services Internal Audit

Internal Audit Review	Progress as at 09 December 2013	Final Report Date	Overall Assessment	Summary of Findings or Additional Comments
4. Work In Progress	Draft Report Prepared			
5. Data Protection	Draft Report Issued			
6. Follow Up	Draft Report Prepared			
7. Payroll	In Progress			
8. Declarations of Interest	In Progress			
9. Year End Accounting Processes	In Progress			
10. Expenses	Engagement Plan being drafted			
11. IT Health Check	First Interim Final Report Issued	09 Oct 2013	Advisory	This review was planned to be undertaken in two phases, with the first assessing the adequacy of information security policies, procedures and controls for accessing the CS IT network and the new Abbey Wood Road (AWR) server room physical and environmental controls. Our second report will provide an assurance opinion to management actions to enhance controls have been implemented, together with confirmation that former controls continue to operate effectively post the network split from KCC.
	Second phase to commence after network split (likely post 2013)			
ADVISORY REVIEW				
12. Due Diligence Process	In Progress			
13. Warehouse Build and Move Project	First Interim Final Report Issued	18 July 2013	Advisory	These reports provide the CS Executive with an independent update on the progress of the project, at appropriate intervals as agreed with management.
	Second Interim Final Report Issued	30 Oct 2013	Advisory	
	Third phase in progress			
14. Laser GEMS and GEMS II	First Interim Final Report Issued	16 August 2013	Advisory	This is a long term project. No further reports will be produced before December 2013. In line with the length of the project, this review will be carried forward into next years plan. However, CS Internal Audit continue to maintain a 'watching brief' over the project.

Commercial Services Internal Audit

Internal Audit Review	Progress as at 09 December 2013	Final Report Date	Overall Assessment	Summary of Findings or Additional Comments
ADDITIONAL ADVISORY REVIEWS REQUESTED BY MANAGEMENT				
County Print & Design (CP&D) Contract End	Final Report Issued	12 July 2013	Advisory	
Simplicare Store Stock Count	Final Report Issued	16 Sept 2013	Advisory	
Delegated Authorities	Draft Report Issued			
CARRIED FORWARD FROM 2012-2013 (One Office application follow up and General ledger follow up included in performance indicators)				
15. Kent County Supplies (KCS) – One Office Application Review Follow Up	Final Report Issued	11 June 2013	Adequate	<p>This review was carried forward from 2013 plan but was not considered as part of the 2012-2013 annual opinion.</p> <p>Of the original nine actions arising, one had been implemented, four partly implemented and four had not been implemented. Whilst there has been a lack of progress to implement the original recommendations raised completely, some efforts have been taken to address weaknesses. As a consequence, we have revised recommendations and in some instances reduced their priority. This resulted in four ‘medium’ and four ‘low’ priority recommendations being raised, which will be followed up as part of the general follow up review process. However, we are aware that there are plans to replace this system in 2014.</p>
16. General Ledger Follow Up	Final Report Issued	19 July 2013	Substantial	<p>This review was carried forward from 2013 plan but was not considered as part of the 2012-2013 annual opinion.</p> <p>Of the original three actions arising, one has been partially implemented, one has been superseded and the remainder is outstanding. Management has identified actions to address outstanding issues.</p>
Payment Card Industry (PCI) Compliance	Final Report Issued	07 August 2013	Limited	Assurance opinion already included as part of 2012-2013 annual opinion.
Accounts Receivable	Final Report Issued	14 Oct 2013	Adequate	Assurance opinion already included as part of 2012-2013 annual opinion.

Commercial Services Internal Audit

Progress Against Key Performance Indicators

This includes external and internal indicators and have been calculated prior to the changes as part of the mid year review.

Performance Measure	Target	Progress
Effectiveness of Internal Audit Service		
% of issues of concern accepted by management	98%	94% (49 of 52)
Efficiency		
% of plan delivered by end of December (final reports issued)	90%	37% (6 of 16)*
% of draft reports completed within 10 days of finishing the fieldwork (e.g. debrief meeting)	90%	100%
Preparation of the annual plan	By end November	Achieved
Preparation of CS annual report	By end January	
Preparation of KCC annual report	By 11 April	
Quality of Service		
Average client satisfaction survey	90%	100%

* Whilst this figure appears low, a number of reviews have included interim reports being issued and finalised, which have not contributed to progress against the performance measure. Furthermore, from the progress table it can be seen that much of the fieldwork had been undertaken and draft reports prepared. To date we have drafted 10 of 16 reports (63%).

Commercial Services Internal Audit

Issues of Concern Raised

The table below shows the total number of issues concern raised that management has agreed to action. The figures have been taken from both assurance and advisory reports that have been finalised.

Priory	Issues of Concern Raised	Issues of Concern Management have agreed to Action	%
High	5	5	100%
Medium	21	20	95%
Low	26	24	92%
TOTAL	52	49	94%

The table above now includes General Ledger Follow Up, PCI Compliance, advisory and ad hoc review figures.

Below are the details of the issues of concern raised that management have **not** agreed to action to date.

Internal Audit Review Title	Priority of Issue of Concern	Issue of Concern Raised	Management Response	Final Report Date	Further Commentary by Internal Audit
General Ledger Follow Up	Medium	There is a risk that journal transactions could be recorded inaccurately.	There is a clear audit trail for all journals processed in CODA ¹ , which is simple to access, review and investigate. As a result the resource cost associated with authorising journals independently before processing, is not cost effective. Any errors associated with journal entries are captured as part of the on going process of controls and procedures set up within finance. These controls and procedures have been and are being strengthened, to reflect the increasing size and complexity of the organisation.	12 July 2013	Journal processes will be reviewed as part of the scheduled Year End Processes review

¹ CODA is the finance system used by CS.

Commercial Services Internal Audit

Laser Billing and Validation	Low	Delays in obtaining contract sign off could increase the risk of obtaining timely and satisfactory resolution of any disputes that might arise.	We have written confirmation from customers that they have committed to our contracts prior to supply commencing. We would also like signed tripartites to be in place before supply commences, but this depends on lead time between the framework being executed and the supply period commencing, and the	05 July 2013	None, management have considered the risk
------------------------------	-----	---	--	--------------	---

Commercial Services Internal Audit

			timeliness of customers executing agreements.		
Laser GEMS ² and GEMS II	Low	Lack of clarity on project spend to date and the validity of the software and hardware budget could impact on the ability to effectively monitor and control project expenditure. Whilst the variance for previous spend and hardware and software will be <10% of the budget, they represent reasonable amounts. As the Project Board members are not aware of the position they cannot challenge and assess whether these funds should be retained or released from the project.	<p>No action proposed. Project Budgets are in most cases calculated at business case / project summary stage prior to detailed planning. The Projects team use best endeavours to ensure client departments' budgets are sensible.</p> <p>The methodology selected by the client for the delivery of the GEMS 2 project is Agile³ (specifically Scrum⁴). In Scrum⁴, it is recognised that project requirements are constantly in flux. This means that planning can only be accurate within the period of a sprint. The further into the future a plan looks, the less accurate it becomes. Therefore the exact duration and resource required may not be known at the outset of the project.</p> <p>In the Project context, the budget and tolerances stated within the (Project Initiation</p>	16 August 2013	None, management have considered the risk and believe current arrangements are adequate

² **GEMS** (General Energy Management System) is the in-house developed software used by Laser.

³ **Agile** software development is a group of software development methods based on iterative and incremental development, where requirements and solutions evolve through collaboration between self-organizing, cross-functional teams. It promotes adaptive planning, evolutionary development and delivery, a time-boxed iterative approach, and encourages rapid and flexible response to change. It is a conceptual framework that promotes foreseen tight interactions throughout the development cycle. (courtesy of Wikipedia)

⁴ **Scrum** is an iterative and incremental Agile software development framework for managing software projects and product or application development. Its focus is on "a flexible, holistic product development strategy where a development team works as a unit to reach a common goal" as opposed to a "traditional, sequential approach". Scrum enables the creation of self-organizing teams by encouraging co-location of all team members, and verbal communication among all team members and disciplines in the project.

A key principle of Scrum is its recognition that during a project the customers can change their minds about what they want and need (often called requirements churn), and that unpredicted challenges cannot be easily addressed in a traditional predictive or planned manner. As such, Scrum adopts an empirical approach—accepting that the problem cannot be fully understood or defined, focusing instead on maximizing the team's ability to deliver quickly and respond to emerging requirements. (courtesy of Wikipedia)

Commercial Services Internal Audit

			<p>Document) PID define the Project Managers financial resource for project delivery. During a project, costs will vary across PID "budget headings". However, it is not appropriate to report each variance to the Project Board as such action would result in an unnecessarily "stop – start" approach to project delivery whereby the Project Manager would spend significant amounts of time reporting variances. Only variances beyond the tolerances stated in the PID for the project as a whole are taken to the Project Board.</p>		
--	--	--	--	--	--