

Internal Audit

Progress Report 2015-16 – Quarter 4 - ADDENDUM

Caroline Glitre, Head of Internal Audit

1. Introduction

The Internal Audit 2015-16 Quarter 4 progress report has the following addendum of two additional audits that were given 'Limited' assurance but at the time of publication of the main Audit Committee papers were only at 'Draft report' stage. These audits have now been completed and reports issued as final.

2. Final Reports Issued

		Assurance rating
1	IT Change Management	Limited
2	Schemes of Delegation	Limited

The summary detail of these reports is included within Section 3.

3. Key Findings from Internal Audit Work with No or Limited assurance

Title	IT Change Management
Audit Opinion	Limited
Date of report:	March 2016
Executive Summary	<p>Successful implementation of IT services to the live, Business as Usual (BAU) environment is reliant on effective control processes, including Service Asset and Configuration Management, Release and Deployment Management, Service Validation and Testing, Change Management and Change Evaluation. This review focused on Change Management specifically and while there is a draft IT Change Management process in place, it is not effective due to the lack of maturity in the supporting control processes.</p> <p>This review was mainly scoped for the time period of January 2015 to December 2015. It is recognised that CSG have made significant improvements to the IT Change Management process during 2015 and have continued to make gradual improvements during 2016. However, it has been observed through this review that there are many examples of a reactive, rather than proactive approach to IT change management being implemented. This approach impacts the quality of service provided to Barnet Council.</p> <p>The IT Change Management process is not yet effectively embedded into the organisation (due to it being relatively new) and it is not yet at the required level of maturity expected from an experienced IT Service Provider. This limits CSG’s ability to effectively govern, manage, monitor and improve IT change and increases the likelihood of negative impact to services at Barnet Council.</p>

Title	IT Change Management
<p>Summary of Findings</p>	<p>This audit has identified two high, three medium and one low rated recommendation.</p> <p>We identified the following issues as part of the audit:</p> <ol style="list-style-type: none"> <p>1. Control Design – Process Lifecycle (High Priority)</p> <ul style="list-style-type: none"> <p>• CSG use a static, standalone spreadsheet to manage configuration information and this is not linked to the existing toolset (ServiceNow) that is in place to manage the Change Management process. Auditor’s view is that this approach is not suitable for an IT estate of the size and complexity of Barnet Council. The standalone spreadsheet approach and lack of update process has resulted in a backlog of outstanding configuration updates as well as an inaccurate baseline of configuration information. Without an effective Configuration Management Database (CMDB), accurate Configuration Items (CIs) and relationships linking the CIs to business processes, it is difficult to accurately assess the full impact to end-to-end business services when making technology changes. As a consequence, the configuration information cannot be relied upon for change, risk and impact assessments. Additionally, as CIs are not being updated, links between CIs in the live/ BAU and IT Disaster Recovery (ITDR) environments will not be current or accurate. This will impact CSG’s ability to maintain an effective ITDR environment, which may then impact a successful recovery in the event of disaster (see finding 1.1).</p> <p>• Post-change evaluations are not performed routinely for change records. This means that there is no process being consistently followed to determine whether or not a change has been successful and whether there are any lessons learned that would be useful to drive continuous improvement. Ad-hoc investigations into failed changes have been performed on request or when a major incident has occurred as a result of a change. This approach limits the evaluation process as not every failed change is going to result in an incident (see finding 1.2).</p> <p>• There have been occasions where changes related to project implementations have been processed as Emergency Changes in order to achieve project deadlines. While the reasoning for this is to mitigate potential business impact, the use of Emergency Changes specifically by projects is not documented as an</p>

Title	IT Change Management
	<p>exception within the Change Management process. These exceptions are not reviewed or included in management reporting for trend analysis. Lack of appropriate planning for a project-related change should not automatically invoke the Emergency Change process as Emergency Changes carry an increased level of risk to the business. It is therefore important that the scope and exceptions for Emergency Changes are documented in detail (see finding 1.3).</p> <p>2. Control Design – Change Testing & Validation (High Priority)</p> <ul style="list-style-type: none"> • Few applications had separate testing environments. For those applications with no testing environment, CSG stated that the risk has been accepted by Barnet Council, however formal documentation and evidence of this has not been seen. Where no testing environment exists, changes were implemented directly into the live environment without testing. Back-out plans are not always sufficiently detailed and are not usually tested prior to change implementation. This increases the likelihood of problems occurring during change implementation (see findings 2.1 and 2.2). <p>3. Operating Effectiveness - Result of Sample Records Testing (Medium Priority)</p> <ul style="list-style-type: none"> • We tested 25 sample changes to check the operating effectiveness of key controls in the IT Change Management process and found the following issues: <ul style="list-style-type: none"> ➤ 8 out of the 25 changes sampled (32%) were major changes, yet none of them had a full work plan document. This is not in line with the Change Management procedure. ➤ 4 out of the 25 changes (16%) lacked a back out plan. ➤ 3 out of the 25 changes (12%) lacked a test plan.

Title	IT Change Management
	<ul style="list-style-type: none"> ➤ 1 of the 25 changes (4%) was raised as a normal change, but was approved by the Emergency Change Advisory Board (ECAB). ➤ 24 of the 25 changes (96%) have not yet been closed out. The remaining change had been marked as “rejected”. Good practice, such as post-change review and change evaluation are not formally performed if a change record is not completed and closed out. It is also difficult to assess, measure and report on the performance of the IT Change Process and how successful it is. <p>4. Operating Effectiveness – Continuous Service Improvement (Medium Priority)</p> <ul style="list-style-type: none"> • Upon reviewing two failed change reports and one security incident report, it was found that the reports were not conclusive in identifying the root cause. The reports were produced while the investigation was still in progress and were not updated following completion of the investigation. • A Service Improvement Plan exists, however there are no formalised processes or triggers for its use, for example, lessons learned reviews. Information is gathered on an ad-hoc basis and lacks appropriate analysis, ownership or a formal action plan. • There is no mandatory process to investigate failed changes or to use this information to drive continuous improvement and lessons learned. <p>5. Control Design – Governance of IT Change Management (Medium Priority)</p> <ul style="list-style-type: none"> • The IT Change Management process design documentation was updated immediately prior to our review and was supplied as a draft version. The documentation had yet to be approved through CSG’s internal approval process. The document is not at the level of maturity expected from an experienced IT Service Provider and requires inclusion of the findings from this review.

Title	IT Change Management			
	<ul style="list-style-type: none"> There was a lack of documented evidence to show effective governance of the IT Change Management process and associated sub-processes. The Change Management process lacks a documented owner and there is confusion with who is responsible and accountable for the policy, process and procedure documents. The Technical Change Advisory Board (CAB) meetings and the Customer CAB meetings lacked documented terms of reference to explain their purpose, who should be invited and the roles and responsibilities of the attendees. Lack of effective governance means reduced control and increased risk to Barnet Council. 			
Priority 1 recommendations, management responses and agreed action dates				
1. Process Lifecycle - <i>Control design</i>				
Recommendation	Management Response	Responsible Officer	Deadline	
1.1 (a) Upgrade to a scalable relational Configuration Management Database (CMDB) tool to enable the auditable capture of CI dependencies and configuration information.	1.1 (a) Recommendation accepted	Head of Service Delivery (CSG)	31 st August 2016	
1.1 (b) Ensure that CIs are routinely updated into the CMDB through the IT Change Management process.	1.1 (b) Recommendation accepted	Head of Service Delivery (CSG)	31 st August 2016	
1.2 (a) Update the IT Change Management policy to include a mandatory review of all failed Request for Change (RFCs) to identify the cause of failure.	1.2 (a) Recommendation accepted & completed	Head of Service Delivery (CSG)	4 th April 2016	

Title		IT Change Management		
1.2 (b) Where Council services are affected, inform and update in a timely manner, explaining which services are unavailable, what work-arounds are available and the estimated time until service is restored.	1.2 (b) Recommendation accepted & completed	Head of Service Delivery (CSG)	4 th April 2016	
1.2 (c) Perform post-change evaluations and ensure change records are closed.	1.2 (c) Recommendation accepted	Head of Service Delivery (CSG)	31 st August 2016	
1.2 (d) Review IT Change Management service metrics and monitor on an ongoing basis. This will allow early identification of issues and inform proactive changes to the IT Change Management process, policy, design or procedure as well as identifying staff that require additional change training and support.	1.2 (d) Recommendation accepted & completed	Head of Service Delivery (CSG)	12 April 2016	
1.3 (a) Define the project-related criteria and controls required for acceptance into the Emergency Change process.	1.3 (a) Recommendation accepted & completed	Head of Service Delivery (CSG)	12 April 2016	
1.3 (b) Incorporate project-related changes to the existing reports.	1.3 (b) Recommendation accepted & completed	Head of Service Delivery (CSG)	12 April 2016	
2. Change Testing & Validation - Control design				
Recommendation	Management Response	Responsible Officer	Deadline	
2.1 (a) Identify which IT services could have an unacceptable impact to the Council's services	2.1 (a) Recommendation accepted	Head of Service Delivery (CSG)	30 April 2016	

Title	IT Change Management		
<p>should there be a prolonged outage.</p> <p>2.1 (b) Where the underpinning IT services do not have a test environment, or the existing test environment configuration differs from production, ensure proposed options for remediation have been presented to Council and Council's response recorded.</p> <p>2.1 (c) Where proposed options are declined by Council, ensure that the risk of IT Change is formally accepted by Council and is reviewed regularly by CSG and Barnet Council management.</p> <p>2.2 (a) Where possible, test back-out plans. Testing may either be performed periodically (with an appropriate frequency schedule during the year) or in real-time, specifically as part of the change request to ensure confidence that the back-out plan will work as expected. Where back-out plans cannot be tested, this risk should be made aware to the Technical and Customer CAB when presenting the RFC and formally documented in the change record.</p> <p>2.2 (b) Specify under which conditions the back-out plan should be invoked.</p>	<p>2.1 (b) Recommendation accepted & completed</p> <p>2.1 (c) Recommendation accepted</p> <p>2.2 (a) Recommendation accepted & completed</p> <p>2.2 (b) Recommendation accepted & completed</p> <p>2.2 (c) Recommendation accepted</p> <p>Notes: Completed, however Capita would like the</p>	<p>Programme Director (CSG)</p> <p>Programme Director (CSG)</p> <p>Head of Service Delivery (CSG)</p> <p>Head of Service Delivery (CSG)</p>	<p>12 April 2016</p> <p>30 April 2016</p> <p>12 April 2016</p> <p>12 April 2016</p>

Title	IT Change Management		
2.2 (c) For back-out plans that are dependent upon data restoration from backup, CSG should ensure that the data restoration time is known and confirmed through testing.	2.2 (c) Recommendation accepted & completed	Head of Service Delivery (CSG)	4 April 2016

Title	Schemes of Delegation
Audit Opinion	Limited
Date of report:	February 2016
Background & Context	This report sets out the findings of our work undertaken in December 2015 to review the design and operating effectiveness of the Council's Schemes of Delegation, in line with the agreed Terms of Reference dated 12 November 2015. The review focussed on the four Commissioning Directors' Schemes of Delegation.

Title	Schemes of Delegation
<p>Summary of Findings</p>	<p>This audit has identified two high, four medium and two low rated recommendations.</p> <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> ○ <u>Changes to standing data</u> - There is currently no procedure in place to monitor changes made to financial limits within ContrOCC, the e-finance system used within Family Services. Additionally, it was noted that for Integra, the Council's general finance system, there is no report available that lists changes to financial limits for Integra users. Instead a list is maintained within the folder 'User setups' within the inbox of the Systems Accountant. All user set ups and changes to financial limits come through this inbox. Completeness of the population is thus not ensured, as emails could be deleted or moved to different folders. (High rated). ○ <u>Commissioning and Delivery Units</u> - The Growth and Development and Environment Schemes of Delegation do not include the same details of delegated powers for Regional enterprise (Re), one of the key delivery units relevant for these schemes. At the time of the audit, management were producing a schedule which would be included in both schemes of delegation to ensure consistency. It was also noted that the Scheme of Delegation for Growth and Development does not include detail on individual roles within Barnet Homes, one of the key delivery units. There is no procedure in place to check the Schemes of Delegation against the delivery unit management agreements to ensure consistency. (High rated). ○ <u>Authorisation of transactions (Integra)</u> – We performed data analysis to check that purchase orders recorded in Integra are sequentially numbered, that they have been authorised and segregation of duties has been maintained for all purchase orders. It was noted that 12/7620 (0.2%) purchase orders, total value invoiced £9,432.13, have been processed with no Authoriser. It was also noted that some order numbers out of the sequence were missing. (Medium rated). ○ <u>Authorisation of transactions (Swift)</u> – Payments under the Adults and Health Scheme of Delegation are authorised on Swift, the Adults client information system, before interfacing with Integra. We performed data analysis to verify that segregation of duties has been maintained for all invoices. We identified 647/11388 (6%) invoices, worth £2,095,083.76, have been processed and authorised by the same person. Management stated

Title	Schemes of Delegation		
	<p>that where there were multiple processors of an invoice the report has only picked up one of the processors. A sample of 25 transactions from the listing were also selected to test compliance with the relevant financial limits of the Scheme of Delegation. We identified 6/25 (24%) invoices where the name of the requestor on Swift was different from the name of requestor as per the Swift report provided for the audit. (Medium rated).</p> <ul style="list-style-type: none"> ○ <u>Authorisation of transactions (ContrOCC)</u> - Payments for family services are authorised on ContrOCC before interfacing with Integra. We were unable to perform data analysis on segregation of duties of ContrOCC transactions. The report run by management showed all activity on the system for all accounts and it was not possible to filter transactions by type to identify payments. A sample of 25 payments from ContrOCC was therefore manually selected and tested for segregation of duties and compliance with the relevant financial limits in the Scheme of Delegation. We identified 2/25 (8%) payments which were authorised by deputy team managers for amounts which the Scheme of Delegation states should be authorised by team managers. The deputy team managers have the same financial limits of authorisation as managers within ContrOCC but this does not agree with the Scheme of Delegation. (Medium rated). ○ <u>Annual review of Schemes of Delegation</u> - We checked whether the Schemes of Delegation state the frequency of review and updates, explain the review procedure and clearly state roles and responsibilities with regards to updating the Schemes of Delegation. In all cases we noted that the update procedure included in the Scheme of Delegation was either incomplete or only partially complete. It was also noted that there is currently no agreed procedure in place for communicating changes in the Schemes of Delegation to employees or relevant stakeholders, for example CSG Finance. (Medium rated). 		
Priority 1 recommendations, management responses and agreed action dates			
1. Changes to standing data			
Recommendation	Management Response	Responsible Officer	Deadline

Title	Schemes of Delegation			
<p>a) A review of ContrOCC users should be conducted on a quarterly basis to check limits are up to date and in line with the Schemes of Delegation.</p> <p>b) A report of changes to financial limits on Integra should be built and made available for staff use.</p> <p>c) A report of changes to financial limits on Integra should be run on a regular basis (at least quarterly). This report should be reviewed by a member of the Integra Finance Team to monitor the updates to limits and check limits correctly reflect changes to staff roles.</p>	<p>Quarterly review of limits will be put in place.</p> <p>Integra has a full audit trail tool which tracks and monitors all changes made to users' access rights within the system. At the time of the Internal Audit service completing their audit, there was no standard report available which identifies all user changes within the system between a particular date range which could be validated against the authorisation forms.</p> <p>A report will be developed to identify all changes to users' accounts and for a sample to be tested on a quarterly basis against submitted forms.</p>	<p>Finance Manager, Family Services</p> <p>Assistant Director of Finance, CSG</p>	<p>End of April 2016.</p>	
<p>2. Commissioning and Delivery Units</p>				
Recommendation	Management Response	Responsible Officer	Deadline	
<p>a) The Council should seek legal advice to confirm the implications of incorporating the Barnet Homes Scheme of Delegation into the Growth and Development Scheme of Delegation. If appropriate, the Barnet Homes Scheme of Delegation should be incorporated into the Growth and Development</p>	<p>Growth & Development – Agreed.</p> <p>Environment - Street Scene Delivery has recently been transferred to Barnet Homes – this needs to be reflected in the Scheme and this will be done by 30 April 2016.</p>	<p>Commissioning Directors for Growth & Development and Environment</p>	<p>30 June 2016</p>	

Title	Schemes of Delegation		
<p>Scheme of Delegation or published alongside it on the website to ensure there is a complete document available to staff.</p> <p>b) The Council should seek legal advice about the implications of incorporating the RE Scheme of Delegation into the Growth and Development Scheme of Delegation and the Environment Scheme of Delegation. If included, the schemes should be updated to ensure that RE's delegated powers are reflected accurately and consistently in both schemes.</p> <p>c) When implementing future changes to the Council's structure, for example alternative delivery models, the impact on the Council's Schemes of Delegation should be considered and appropriate legal advice sought.</p> <p>d) The roles and responsibilities section in the management agreements should be updated to refer back to the Schemes of Delegation to ensure consistency.</p>	<p>Growth & Development and Environment - to ensure Re's delegated powers are reflected accurately and consistently by 30 April 2016. Legal services have already been consulted and will sign off as final by 30 April 2016.</p> <p>Agreed</p> <p>Agreed</p>	<p>Commissioning Directors for Growth & Development and Environment</p> <p>All Commissioning Directors for their respective Schemes of Delegation</p> <p>All Commissioning Directors for their respective Schemes of Delegation</p>	<p>30 June 2016</p> <p>30 June 2016</p> <p>30 June 2016</p>

