ARGYLL & BUTE COUNCIL

Internal Audit Section

INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	DEVELOPMENT AND INFRASTRUCTURE SERVICES
AUDIT DESCRIPTION	SYSTEM BASED AUDIT
AUDIT TITLE	TOTAL (Road Costing)
AUDIT DATE	OCTOBER 2017

2016/2017

1. BACKGROUND

This report has been prepared as a result of the Internal Audit review of Total Roads Costing System as part of the 2016/2017 Internal Audit programme.

TOTAL is a management information system, provided by TotalMobile, which is used to record detail of the cost of the work for Roads & Street Lighting activity. This covers work carried out by the roads operational team and also covers some work by private contractors.

The system is used by Development & Infrastructure (D&I) staff for raising works orders, processing roads & lighting wages and internal fleet, processing journals and analysing information using reports & enquiries. TOTAL interfaces with the Councils' financial management system ORACLE.

System administration is the responsibility of the D&I Strategic Finance team and routine tasks are carried out by both the Consolidated Team and the D&I Strategic Finance team.

2. AUDIT SCOPE AND OBJECTIVES

The main objective of the audit was to review the internal control environment of TOTAL (Roads Costing System).

Controls will include:

Authority –   Roles and delegated responsibilities are documented in policies and procedures; Access is controlled.
Occurrence –   Sufficient documentation exists to evidence compliance with policies, procedures;
Completeness – All required documentation is accurately and fully maintained;
Measurement – Evidence of secure control environment operating effectively including access, system back up, interface controls, system maintenance;
Timeliness –   Users lists are maintained regularly. Housekeeping is undertaken to ensure system efficiency and data controls.
Regularity –   Documentation is complete, accurate and not excessive; it is stored securely and made available only to appropriate members of staff.

3. RISKS CONSIDERED

- The system's accuracy and effectiveness have not been assessed;
- The system, data and activities are not up to date;
- The system is not documented leading to a lack of awareness of processes and requirements;
- Authorities, roles and responsibilities have not been identified and assigned.

4. AUDIT OPINION

The level of assurance given for this report is High.

Level of Assurance	Reason for the level of Assurance given
High	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. A sound system of control is in place designed to achieve the system objectives and the controls are being consistently applied.
Substantial	Internal Control, Governance and management of risk is sound, however, there are minor areas of weakness which put some system objectives at risk and where specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal Control, Governance and management of risk are broadly reliable, however although not displaying a general trend there are a number of areas of concern which have been identified where elements of residual risk or weakness with some of the controls may put some of the system objectives at risk.
Limited	Internal Control, Governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal Control, Governance and management of risk is poor, significant residual risk exists and/ or significant non-compliance with basic controls leaves the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

5. FINDINGS

The following findings were generated by the audit:

Roles and Responsibilities

- It was found that roles and responsibilities have been identified and are documented in terms of Strategic Finance staff;

- Although staff are familiar with the processes and procedures it was not evidenced that roles and responsibilities have been documented in terms of D&I staff.

Access

Access Controls are in place and the following was noted:

- Responsibility for TOTAL system administration, including access administration has been allocated to a Finance Officer within the D&I Strategic Finance team;

- Access to TOTAL is controlled by a user name and password. It was found that passwords require to be changed every 60 days and automatic reminders are sent to users. It was further found that the system prevents the use of any passwords that has been used in the previous three months;

- Levels of access are granted in accordance with the user's job role;

- Systems are in place to ensure that users' lists are maintained regularly in relation to notifying the system administrator when a system user changes jobs or leaves the Council. The Improvement & HR Team sends notification of leavers to the TOTAL System Administrator and this is further backed up by notification emails from IT;

- Quarterly checks of starters & leavers are undertaken by Strategic Finance to ensure that each user's access is still valid.

Control Environment

Controls exist in terms of the processing of information on TOTAL, including:

- Works orders are completed manually and authorised by an appropriate officer, these are checked for completeness by a member of the D&I administration team prior to imputing into TOTAL.

- It was noted that TOTAL records the name of the employee who created the works order, and when it was created. However, a works order can be amended in the system once it has been entered. TOTAL will record that an amendment has been made and by whom but does not record what the amendment is. Original signed works orders are available to review within the depots and archived on the email system, therefore an audit trail of the original exists.

- Interfaces controls are in place and records are reviewed by Strategic Finance. There is a log of who imported/exported the interface together with who then updated/posted it. All postings were authorised in line with responsibilities. A back up is saved for each interface.

- Reconciliation checks are in place whereby the creditors section advises the value expected through the payables interface and a discoverer report is then run to confirm this amount. The interface is further previewed in Total to confirm that all agree before the interface is brought into the system.

- Interfaces can't be exported twice once they have been run as data is secured and cannot be amended/rerun therefore eliminating the risk of duplication.

Policies and procedures

- Policies and procedures are formally documented which cover Strategic Finance and D&I processes which include routine tasks, interface and the wages process. Procedures were found to be up to date.

- It was evidenced that training manuals, covering the various TOTAL modules were available for review.

- Training is provided on an adhoc basis and consists of a mixture of support from Strategic Finance and peer support from D&I staff. It was not evidenced that training records are held.

Compliance with documented Policies and Procedures

- Testing and a walk through of various processes demonstrated compliance with procedures. Documentation is complete with records held on TOTAL, electronic records held on email archive and paper records held in depots.

- Standard templates are used to support the various processes documented within the policies and procedures.

System back up and Maintenance

- An annual support and maintenance contract with TotalMobile provides support for the system.

- It was found that there are procedures in place in terms of business continuity should the TOTAL system be down. This includes area teams covering workloads across areas and the availability of manual systems to undertake critical activities, for example payroll.

- There are two separate logs which are checked by IT to make sure the backups for Total application are successful; SQL database backups for total databases run automatically each day and server backup which details the status of the backup i.e. whether it completed, when it was completed or whether it was failed or was missed.

6. CONCLUSION

This audit has provided a High level of assurance as internal control, governance and the management of risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with. There were 2 low actions which will be not reported to the Audit Committee. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

Thanks are due to Development and Infrastructure staff, including Strategic Finance staff and management for their co-operation and assistance during the Audit and the preparation of the report and action plan.

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