

Government and Public Sector

August 2007

Cambridgeshire & Peterborough Fire Authority 2006/07 Report to those charged with governance

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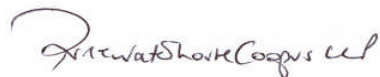
August 2007

Ladies and Gentlemen

2006/07 Report to those charged with governance

We are pleased to present our report on the results of our audit work for 2006/07. We hope that the information contained in this report provides a useful source of reference for members.

Yours faithfully



PricewaterhouseCoopers LLP

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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In March 2005 the Audit Commission issued a revised version of the ‘Statement of responsibilities of auditors and of audited bodies’. It is available from the Chief Fire Officer. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Executive summary

The purpose of this report

This report summarises the results of our audit work from our 2006/07 audit of accounts.

It includes the issues arising from our audit of the financial statements and those issues which we are formally required to report to you under the Audit Commission's Code of Audit Practice and International Standard of Auditing (UK & Ireland) (ISA(UK&I)) 260 - "Communication of audit matters with those charged with governance".

It also includes the results of the work we have undertaken on 'Use of Resources' under the Code of Audit Practice, to support our formal conclusion in this area.

Our work during the year was performed in line with the plan that we presented to the Scrutiny and Performance Committee in September 2006. We have issued and plan to issue a number of reports during the audit year, detailing the findings from our work and making recommendations for improvement, where appropriate.

We have set out below the most important issues and recommendations that we have discussed with you in the course of our work.

Financial Statements

The Authority provided a reasonable set of draft accounts for audit and a good quality set of working papers (page 5).

Subject to the satisfactory conclusion of the outstanding work, we anticipate issuing an unqualified audit opinion on the Statement of Accounts 2006/07

(page 5).

We have raised two high priority recommendations in relation to the Authority's internal financial controls. These relate to the need to improve access controls to the general ledger and to complete and approve the disaster recovery plan and ensure that it is regularly tested. It will be important for Members to ensure that action is taken against these recommendations in accordance with the timetable agreed by management (pages 5 and 6).

Use of Resources

Under the Code of Audit Practice we are required to provide a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. There are twelve criteria which we are required to consider in reaching our conclusion.

We have yet to complete and conclude on our work in relation to one of the twelve criteria. In relation to the remaining eleven criteria we have concluded that the Authority has adequate arrangements in place (page 7).

Financial statements

Accounts

The Authority provided a reasonable set of draft accounts for audit and a good quality set of working papers. We raised a number of matters from our initial review of the draft accounts for consideration by officers. However, the majority of these matters were presentational matters / minor inconsistencies between statements and notes.

We have completed the majority of the audit work on the Authority's accounts in line with the Code of Audit Practice and Auditing Standards. The main areas where audit work is outstanding relate to:

- Ensuring that all amendments identified by audit have been addressed within the updated draft accounts. We have identified that there has been amendments to the Income and Expenditure Account and other statements. We will therefore need to ensure that our audit work remains consistent with the amendments made; and
- Completion of internal PwC quality control procedures.

Subject to satisfactory completion of the outstanding work above, we anticipate issuing an unqualified audit opinion on the 2006/07 financial statements.

Accounting Issues

We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature.

Whilst we identified some misstatements, officers have agreed to make the adjustments within the accounts. As a result, there are no unadjusted misstatements to report.

Accounting practices

We are also required to report to you our view on qualitative aspects of the Authority's accounting practices and financial reporting.

In this regard, whilst we have identified a number of detailed matters for consideration by officers in preparing the 2007/08 Statement of Accounts, which we will report separately following the completion of our outstanding accounts work, there are no matters that we wish to draw to the attention of those charged with governance as part of this report.

Systems of internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during [the audit](#). [We outline below the work we undertook and main matters arising.](#)

Our work on the Authority's internal financial controls has included:

- Reviewing the Authority's arrangements to gain assurance that key financial systems are both adequate and effective in practice;
- A review of the overall arrangements for controls in place over the Authority's financial information technology (IT) systems;

- Reviewing work undertaken by the Authority's internal auditors on the adequacy of controls within those systems;
- Reviewing the Authority's high-level arrangements for budgetary control; and
- Following up progress made in implementing the recommendations we made as part of previous reviews.

We have reviewed the work performed by the Authority's internal audit service, provided by Internal Audit at Cambridgeshire County Council in order to obtain additional assurance on the financial systems of the Authority and to identify particular areas of concern. No significant issues have arisen from this review.

We have not repeated in this report recommendations made by the internal auditors, except where they coincide with ours and where we consider that reiteration would be helpful.

Our detailed findings, recommendations to all of the matters raised and management responses are outlined in Appendix A. The most significant recommendations relate to the need for the Authority to:

- Improve its controls with respect to the access of the general ledger to mitigate the risks of unauthorised access resulting in inappropriately modified data; and
- Update, benchmark to best practice, and formally approve its draft disaster recovery plan. In addition, periodic testing of the finalised plan should be undertaken.

It will be important for Members to ensure that action is taken against these recommendations in accordance with the timetable agreed by management.

In order to assist the Authority, we have assigned priority rankings to each of our recommendations, to reflect the degree of risk that they pose and hence the urgency with which remedial action should be taken. These are categorised as follows:

- **High Priority:** Matters that can seriously compromise the system of internal control and integrity of data and should therefore be addressed urgently.
- **Medium Priority:** Matters that represent good practice and may reflect on the system of internal control by reducing the integrity of data. They should be addressed reasonably promptly.
- **Low Priority:** Matters of limited risk. Action should be taken as resources allow.

Other matters

There are no other matters which we wish to bring to the attention of Members.

Use of Resources

Work performed

In accordance with the Code of Audit Practice, we have performed work to conclude on the Authority's arrangements for achieving economy, efficiency and effectiveness in its use of resources. Our work to support our conclusion comprised the following elements:

- Assessing the Authority's performance against the criteria within the Use of Resources conclusion. This included taking into account the Use of Resources assessment.
- Mandatory Data Quality Review work.
- Review of the Statement on Internal control.
- Audit of the Best Value Performance Plan.

Use of Resources Conclusion

Under the Code of Audit Practice we are required to provide a conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. This conclusion is reached by assessing the Authority's arrangements against a set of criteria issued by the Audit Commission. Our conclusion is based on the use of resources assessment undertaken in 2006/07 and reported on 26 March 2007 as part of the CPA process and updated as necessary, our Local Government data quality work, our audit of the Best Value Performance Plan 2006/07 and other information that came to our attention during the course of our audit work.

We have completed our review of 11 of the 12 criteria within the Use of Resources conclusion. In relation to these criteria, we have concluded that adequate arrangements are in place. This is an improvement over the prior year, when we issued a qualified conclusion as a result of one criteria "*The body has put in place arrangements for the management of its asset base*".

Our data quality review work has yet to be finalised and therefore our conclusion on one of the twelve criteria in the Use of Resources conclusion is yet to be made. Further details on this are provided below.

Data Quality Review work

Whilst we are required to perform a mandatory review in relation to data quality as part of our 2007/08 audit work, (which includes assessing arrangements in place during 2006/07), the results of this review are required to be considered in forming our 2006/07 conclusion on the Use of Resources.

The purpose of this work is to assess whether the Authority has adequate data quality arrangements in place.

Our work in this area has yet to be completed. We have agreed with officers to undertake this review in the week commencing 3 September 2007. Whilst it will inform our Use of Resources Conclusion, the full results will be reported to you when our work has been completed.

Statement on Internal Control

Local authorities are required to produce a Statement on Internal Control (SIC) which is consistent with guidance issued by CIPFA / SOLACE. The

SIC was included in the financial statements.

We reviewed the SIC to consider whether it complied with the CIPFA / SOLACE guidance and whether it is misleading or inconsistent with other information known to us from our audit work.

There are no matters in this area which we wish to bring to the attention of Members.

Appendix A - Matters arising from our review of the Internal Financial Controls 2006/07

2006/07 Matters arising

Ref	Issue and Recommendation	Priority			Management Comments
		1	2	3	
1	<p>Lack of evidence of independent review of bank reconciliation</p> <p>Our review of the controls over the bank reconciliation process and discussions with officers noted that whilst an independent review of the completed bank reconciliation is undertaken by the Treasurer, the reconciliation is not subsequently signed and dated. As a result, there is no evidence to confirm the review has been undertaken on a timely basis.</p> <p><i>In order to ensure that an adequate audit trail is maintained in relation to the independent review of the bank reconciliations, we recommend that the bank reconciliations should be signed and dated as evidence of the review.</i></p>		✓		<p><i>Agreed.</i></p> <p>Action to be taken: All signatures will be dated in the future.</p> <p>Responsible Officers: M Warren.</p> <p>Timescale for action: Complete.</p>

Follow-up of matters arising from previous years' reviews in respect of internal financial controls

Ref	Original Recommendation and Management Response	Follow up action and further recommendation	Priority			Management Comments
			1	2	3	
1	<p>Security access to the General Ledger (Dream system)</p> <p>Following a review of security access to the payroll system, we recommended in the prior year that the system administrator for the Dream system should set the password parameter to be a minimum of 6 characters and enable Dream to force password change every 30 to 60 days.</p> <p><u>Management Response</u></p> <p><i>Recommendation implemented.</i></p>	<p>We noted from our review this year that:</p> <ul style="list-style-type: none"> o The password parameter is still set to 5 characters; and o There is no forced password change on DREAM. Our discussions noted that there is some disagreement between the finance and IT departments regarding whether forced password changes are a workable solution. <p><i>We re-iterate our previous recommendation that the password parameter be set to a minimum of 6 characters. In relation to forced password changes we further recommend that the issues between the finance and IT departments are investigated in order to ensure that a workable solution can be implemented.</i></p>	✓			<p><i>Agreed.</i></p> <p>Action to be taken: This will be reviewed as part of the DREAM upgrade process.</p> <p>Responsible Officers: S Truman.</p> <p>Timescale for action: 1 April 2007.</p>

Ref	Original Recommendation and Management Response	Follow up action and further recommendation	Priority			Management Comments
			1	2	3	
2	<p>Disaster Recovery Plan</p> <p>In the prior year we reviewed the Authority's draft disaster recovery plan (DRP). We noted that details were still to be included within the plan, such as:</p> <ul style="list-style-type: none"> o Timescales for informing the Disaster Recovery Co-ordinator of a disaster; o Contact details for all members of the Disaster Recovery (DR) team; and o Location of the Command Centre. <p>We recommended that the Authority should ensure that the draft plan is updated to include the above missing information. Once updated the plan should be formally approved. Consideration should be given to benchmarking the policy against best practice. Additionally the disaster recovery plan should be tested periodically, and/or after amendment of the plan with regards to any change in systems.</p> <p><i>Management Response</i></p> <p><i>Action to be taken: The Business Continuity Plan will be updated to include the missing information identified. Work is also ongoing to find a suitable site for a command centre.</i></p> <p><i>Responsible Officer: Paul Witt/Graham Edridge.</i></p> <p><i>Timescale for action: End of Dec 2006.</i></p>	<p>Our review noted that the Authority has made significant progress in this area since the prior year. This has included testing of the Authority's server.</p> <p>However, the DRP is still not complete and therefore still in draft format.</p> <p><i>We reiterate our previous recommendation.</i></p>	✓			<p><i>Agreed.</i></p> <p>Action to be taken: This area of work is a high priority. A Disaster Recovery Plan will be in place by December 2007, with full testing complete by March 2008.</p> <p>Responsible Officers: G. Edridge.</p> <p>Timescale for action: Fully Complete by March 2008.</p>

Ref	Original Recommendation and Management Response	Follow up action and further recommendation	Priority			Management Comments
			1	2	3	
3	<p>Financial data back up tapes</p> <p>We noted in the prior year that although back ups were taken every other day of financial system data, no regular proactive testing of the back up tapes was performed.</p> <p>We recommended that the Authority should undertake pro-active testing of the finance data back ups on a periodic basis. Best practice stipulates that back-up tapes should be tested at least quarterly and that evidence of such testing should be retained.</p> <p><i>Management Response</i></p> <p><i>Action to be taken: The service will put in place a fullback up restore test routine and will then look to schedule this routine on a six monthly basis.</i></p> <p><i>Responsible Officer: Steve Truman/Ian Greig.</i></p> <p><i>Timescale for action: End of December 2006.</i></p>	<p>There is still no regular and proactive testing of back-up tapes.</p> <p><i>We reiterate our previous recommendation.</i></p>		✓		<p><i>Not Agreed - an alternative server is being considered instead.</i></p> <p>Action to be taken: We are currently working with Essex FRS to house server back up facility at an Essex Fire Station. The server will have a direct link to enable electronic data transfer. No back up tapes will be held in the future.</p> <p>Responsible Officers: G Edridge/H Cressey.</p> <p>Timescale for action: March 2008.</p>

Ref	Original Recommendation and Management Response	Follow up action and further recommendation	Priority			Management Comments
			1	2	3	
4	<p>Procedures to remove staff leavers from the network and financial systems</p> <p>We established in the prior year that there was no process in place for HR to inform the network and system administrator of staff leavers.</p> <p>We recommended that the Authority put in place a process to inform system administrators of when staff leave, so that access rights are deleted in a timely fashion.</p> <p><i>Management Response:</i></p> <p><i>Action to be taken: A monthly report will be generated that informs all system administrators of staff leavers and joiners.</i></p> <p><i>Responsible Officer: Steve Mason.</i></p> <p><i>Timescale for action: End of August 2006.</i></p>	<p>Our discussions with officers of the IT department noted that there is a leaver's form on the intranet which should be completed by managers, once a member of the department / division leaves. However, there are no arrangements in place to ensure these forms are completed.</p> <p>Further investigation noted that whilst the Human Resources (HR) department do focus on removing access rights for employees they deem to be working in high risk areas (e.g. directors and finance staff), the department does not currently inform the network and system administrators of staff leavers.</p> <p>Therefore, there is still a risk that leavers are not removed from the appropriate systems in a timely fashion.</p> <p><i>We reiterate our previous recommendation.</i></p>		✓		<p>Monthly, for the proceeding month, an edited version of the establishment book is sent to Control, Occupational Health, ICT, Performance and Communications teams to inform them of all changes in the establishment.</p> <p>Resourcelink also fires automatic e mail triggers for starters and leavers. These are currently sent to finance for new starters. ICT, Occupational Health and Control receive these triggers for all starters and leavers.</p> <p>Responsible Officers: M Chalmers/S Mason.</p> <p>Timescale for action: Complete.</p>

Ref	Original Recommendation and Management Response	Follow up action and further recommendation	Priority			Management Comments
			1	2	3	
5	<p>IT department staffing resources</p> <p>We recommended that the IT department should undertake a skills audit to assess training needs for staff to ensure that at least two people are fully trained to support key systems. Management should also ensure that all IT personnel have an annual training programme.</p> <p>Management Response:</p> <p><i>Action to be taken: Agreed. A system analyst has documented all in-house systems to ensure continued understanding of key systems as and when people leave the authority.</i></p> <p><i>Responsible Officer: Henry Cressey.</i></p> <p><i>Timescale for action: Complete.</i></p>	<p>Our review noted that:</p> <ul style="list-style-type: none"> ○ The documentation of key systems (as noted within the management response) is an ongoing process and is not yet complete; and ○ Management have agreed training plans for the IT Services Team and the IT Projects Team. However, the IT Development Team training plan still needs to be defined and agreed. <p><i>We support the progress that the Authority has made to date. Going forward, the Authority should ensure that an appropriate timetable is in place to complete the key systems documentation and define and agree the IT Development Team training programme as soon as practicable.</i></p>		✓		<p><i>Agreed.</i></p> <p>Action to be taken: Development training plan to be developed and published by December 2007. All system documentation will be complete by March 2008, in accordance with the ISO27001 accreditation timetable.</p> <p>Responsible Officers: H Cressey.</p> <p>Timescale for action: Fully complete by March 2008.</p>

Ref	Original Recommendation and Management Response	Follow up action and further recommendation	Priority			Management Comments
			1	2	3	
6	<p>System Administration</p> <p>In the prior year we noted that although the ICT department were aware of the system administrators for the individual financial systems, there was no formal documentation detailing roles and responsibilities. The payroll manager and acting systems administrator stated that they were unaware of their role and responsibilities regarding this position.</p> <p>We recommended that business data owners and system administrators were formally identified and their roles and responsibilities fully documented.</p> <p><i>Management Response:</i></p> <p><i>Action to be taken: This will be implemented as part of ISO27001.</i></p> <p><i>Responsible Officer: Paul Witt/Graham Edridge.</i></p> <p><i>Timescale for action: Full implementation of ISO27001 will be 18 months to 2 years.</i></p>	<p>This recommendation has not yet been implemented. However, we are aware that management are currently undertaking an information audit to formally identify system and data owners. Roles and responsibilities are also yet to be documented. This is being performed as part of the ISO 27001 certification.</p> <p><i>It will be important to ensure that progress against this recommendation is undertaken in line with the agreed timetable.</i></p>			✓	<p><i>Agreed</i></p> <p>Action to be taken: This task will be completed in accordance with the ISO27001 parameters. Full accreditation is scheduled for March 2008.</p> <p>Responsible Officers: Graham Edridge.</p> <p>Timescale for action: March 2008.</p>

Ref	Original Recommendation and Management Response	Follow up action and further recommendation	Priority			Management Comments
			1	2	3	
7	<p>In-house IT programming</p> <p>The Authority currently employs three people who work from home in programme development. Discussions with management established that no peer reviews of coding or design are undertaken on the work of these three programme developers, in order to ensure consistency in programming standards.</p> <p>Management should ensure that all in-house programming is consistently undertaken and supported by appropriate documentation.</p> <p><i>Management Response:</i></p> <p><i>Action to be taken: Monthly developer meetings are now scheduled to review the code. Additionally, all system procedures are now documented.</i></p> <p><i>Responsible Officer: H Cressey / Ian Greig.</i></p> <p><i>Timescale for action: Complete.</i></p>	<p>Our discussions have noted that management do not have any assurance that all in-house programming is consistently undertaken and supported by appropriate documentation.</p> <p>We understand that this is a requirement for ISO27001 certification and the recommendation will therefore be actioned as part of this work.</p> <p><i>We reiterate our previous recommendation.</i></p>			✓	<p><i>Agreed.</i></p> <p>Action to be taken:ISO27001 will ensure that a consistent approach to in-house programming is undertaken.</p> <p>Responsible Officers: Henry Cressey/Graham Edridge.</p> <p>Timescale for action: March 2008.</p>

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