

Committee: AUDIT AND REVIEW

Date: 27 June 2008

Report: INTERNAL AUDIT REPORTS

Purpose of report

1. To present Members with the most recent reports from the Internal Audit Service.

Strategic Planning Framework

2. The information contained in this report is consistent with the Authority's approved and adopted strategic planning framework:

- ***Existing policies and strategies***

"each NPA is required to maintain an adequate and effective internal audit..."
(Financial Regulations, paragraph 17.1 (iv))

"The Internal Auditor shall determine the scope of any internal enquiries or investigations" (Financial Regulations, paragraph 17.6)

Internal Audit Reports: Summary

3. The results of internal audit work were last reported to this committee on 3 August 2007. Since then, two Internal Audit review reports have been issued by the Internal Audit Service (for which the Authority contracts with North Yorkshire County Council). Although this might suggest a significant gap in internal audit activity, in reality the audit work follows the accounting and reporting business cycle, which concentrates work around the financial year-end; the two reports are therefore dated June 2008, and there will be additional reports that will be put before this committee at its next meeting.

4. The reports for these two audits are **attached**. The internal auditor has confirmed that the controls are either 'good' or 'satisfactory'. The Internal Audit team has been restructured during the year, and the new lead Internal Auditor for the Authority tends to apply a standard of 'satisfactory' to some audit areas, rather than the previous Internal Auditor's opinion of 'Good' where there are no significant weaknesses. This issue is under active discussion with the Internal Audit Manager, and the NYCC Internal Audit Service, now amalgamated with that of York City Council, is undertaking a review of the consistency of the audit opinions it applies. Nonetheless, the Internal Auditor only offers four 'grades' of opinion when judging the overall adequacy of control systems: good, satisfactory and weak and unsound, so 'satisfactory' in this context means just that, and does not – as in some other contexts – carry the implication of 'just about acceptable'.

RECOMMENDATION

5. Members are asked to note this report and the appended Internal Audit reports.

Richard Burnett
Head of Finance & Resources

12 June 2008

Background Documents: none

Yorkshire Dales National Park Authority

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	YDNP General IT Controls
SENT TO:	Audit And Review Committee Chief Executive Head Of Finance And Resources
CC:	Treasurer To The Authority

CONTENTS

Section

Introduction	1
Findings	2
Opinion	3
Recommendations	4

Adrian Nockles
Internal Audit Service
Central Finance Business Unit
County Hall
Northallerton

11 June 2008

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

1.0 INTRODUCTION

- 1.1 The assignment undertaken was a review of the General Computer controls at Yorkshire Dales National Park Authority [YDNPA].

The assignment included a review of the resilience of the systems; the NYFRS backup process, the IT Disaster Recovery Plan and the Business Continuity Plan. While these areas do not impact on financial statement risk, the associated risks to the organisation need to be appropriately managed.

- 1.2 The audit work was undertaken during Quarter 4, 2007/08.
- 1.3 This report was issued in draft on 10 June 2008 and in final on 11 June 2008.

If you require any further information regarding this audit please contact Adrian Nockles, NYCC Internal Audit Service, on 01609 532741.

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

2.0 FINDINGS

	Summary Findings	Risk
	<p>Overview</p>	
2.01	<p>The main accounting system is Sun Accounts which is running on a MS Windows 2003 server with a Sequel server for the underlying database. The Authority uses Citrix Server architecture that means the main processing is centralised and data is held on a Storage Area Network [SAN] accessed via thin client technology.</p>	
2.02	<p>A number of sites covering HQ, administration, Information Centres and the Ranger workshop and a few other locations are linked by a Wide Area Network [WAN] provided at present by MLL Telecom. It was reported that NYCC ICT have responsibility for the Local Area Network the WAN and main hardware.</p>	
2.03	<p>The Authority use Web Sense to monitor Internet access and anti virus software supplied by McAfee. Star Internet, supplied by Message Labs scans e-mails, both sent and received.</p>	
2.04	<p>There is a firewall to protect the infrastructure that is supported by SecOne in Leeds.</p>	
	<p>System Back Ups</p>	
2.05	<p>A full back-up is done twice per week (on Tuesday and Friday evenings) and once per month (at the end of the month). The Friday and monthly back-up tapes are stored off-site in a fire-proof safe at Horton-in-Ribblesdale Warehouse.</p> <p>An incremental back-up (i.e. a back-up of only those files that have been changed since the most recent full back-up) is done on all other nights. The incremental back-up tapes and the Tuesday back-up tapes are stored on-site in the server room, and these tapes are cycled on a three-weekly basis.</p> <p>There is also a cycle of full back-up tapes, and the monthly back-up tapes are stored for 5 years.</p>	
	<p>Computer Room</p>	
2.06	<p>At the Bainbridge office, there is a purpose-built computer room. The servers are in this room, which is kept locked. The computer system involves the thin client Citrix, which means that servers are only needed at one site, and all sites are connected by the wide area network (WAN).</p>	

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

	Summary Findings	Risk
2.07	<p>Business Continuity Planning</p> <p>The contingency plan is currently under revision. There has been an audit of the IT system to establish what IT equipment is held at which locations and what applications are installed on which servers.</p> <p>The contingency plan has now been prepared and it was reported that it was tested before the end of Feb-08, but to date a copy of the test report has not been supplied though we understand that it was a success.</p> <p>There are support agreements with various third parties for the main IT systems, such as the MAS SUN System.</p>	
2.08	<p>Logical Access</p> <p>There are Group Account Policies for:</p> <ul style="list-style-type: none"> - Password Policy; and - Account Lockout Policy <p>These were reviewed and found to be not unreasonable settings for the type of organisation. The password policy could be improved by setting the Minimum password age to 1 day and increasing the "Minimum password length" to 8 characters to conform with BS7799 best practice.</p>	Password Policy could be improved
2.09	<p>There are between 120 and 140 users with access to the network; during the summer there are a lot of students. There is an Access Request Form to set up new users and IT are notified of leavers. A sample of leavers used in the payroll testing was reviewed and it was confirmed that all had been removed as valid network users.</p>	
2.10	<p>IT Policies and Procedures</p> <p>YDNPA have recently updated most of their IT Policies and Procedures. Electronic copies were obtained and reviewed. These included:</p> <ul style="list-style-type: none"> • IT Policies and Procedures • Information Security Policy • Software Management Procedure • Internet Acceptable Use Policy • Remote Access Procedure • Email Procedures and Protocols. <p>The content of the YDNPA IT Policies and Procedures was assessed as not unreasonable for the type and size of organisation.</p>	

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

	Summary Findings	Risk
2.11	<p>Access to the Main Accounting System</p> <p>Access rights to the MAS are granted to operator groups. Each member of staff is allocated to an operator group, depending on the person's section and job responsibilities. Cost centres are mapped to the operator groups.</p> <p>Each member of staff has a unique userid. A SUN password must be a minimum of 4 characters and must be changed every 30 days. Finance Section staff log on as Administrators in order to grant access rights to operator groups and allocate staff to the groups. The Administrator login is separate from the normal login for Finance Section staff.</p> <p>All staff have read access to the cost centres for their section. Many staff are enabled to place orders (through the Purchase Ledger), but orders must subsequently be authorised by Department Heads (who are the Budget Holders).</p>	
2.12	<p>Full access to the MAS is granted to only the four Finance Section staff - two Finance Clerks (one post 0.5 FTE is currently vacant), one Finance Officer (FO) and one Senior Finance Officer (SFO). They have access to the Purchase Ledger, the Supplier Ledger and the General Ledger.</p>	
2.13	<p>Feeder Systems</p> <p>The MAS has one feeder system, Payroll. The front end processing is carried out at the HQ at Bainbridge and NYCC process the payroll. A detailed costing file is produced from Resourcelink by the County Council. This is analysed by the Finance Assistant using MS Excel and a summary costing file is produced by pivot table which is converted into a journal and loaded into the Sun System. Since this is a journal produced by the Finance Assistant it is a manual interface.</p>	
2.14	<p>The month of February 2008 was checked in detail. The amount of the net pay direct debit was £181,511.88 on the bank statement and the balance for net pay was the same on control the spreadsheet.</p>	

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

3.0 **OPINION**

3.1 The overall audit opinion of the controls and procedures evaluated is that they are good.

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

4.0 RECOMMENDATIONS

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
4.1	The password policy could be improved by setting the Minimum password age to 1 day and increasing the "Minimum password length" to 8 characters to conform with BS7799 best practice.	Useful	2.08	Agreed. Implemented	Steve Funnel	10/06/08

Yorkshire Dales National Park Authority

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	YDNP Staff Travel And Subsistence
SENT TO:	Audit And Review Committee Chief Executive Head of Finance and Resources
CC:	Treasurer To The Authority

CONTENTS

Section

Introduction	1
Findings	2
Opinion	3
Recommendations	4

Catherine Maddison
Internal Audit Service
Central Finance Business Unit
County Hall
Northallerton

11 June 2008

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

1.0 INTRODUCTION

- 1.1 The audit was a review of the procedures for the payment of allowances namely "Travel and Subsistence" allowance.

These allowance payments are made through the Northgate Resourcelink Payroll System by NYCC. Information is input on to spreadsheets before being forwarded to NYCC for payment.

- 1.2 The audit work was undertaken during Quarter 4, 2007/08.

- 1.3 This report was issued in draft on 18 January 2008 and in final on 11 June 2008.

If you require any further information regarding this audit please contact Adrian Nockles, NYCC Internal Audit Service, on 01609 532741.

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

2.0 FINDINGS

	Summary Findings	Risk
2.01	<p>Procedural Guidance</p> <p>The ability to claim essential car user allowance is based upon the post. Where this is not allowable the casual car user allowance is payable. Separate forms are used.</p> <p>Employees are notified of the procedures for making claims as part of the induction process. It was advised that there are no rules on the Intranet for making claims; these are detailed on the reverse of the form.</p>	
2.02	<p>Record Security</p> <p>Documentation for the current financial year and previous financial year appertaining to pay slips, copy spreadsheets and Travel and Expenses claim forms are held in lockable cabinets within Personnel.</p> <p>It was advised that information for previous years is maintained off site with a company called Iron Mountain.</p>	
2.03	<p>Travel and Subsistence Claims</p> <p>A sample of claims for Travel and Subsistence was selected from the months of May and September 2007 from the files maintained by Personnel.</p> <p>Testing was undertaken to ensure that:</p> <ul style="list-style-type: none"> • Employees were claiming the appropriate essential or casual user allowance; • Forms had been fully completed with all appropriate detail; • Forms had been completed on a monthly basis; • Forms are forwarded to Personnel promptly; • Forms had been appropriately authorised; • Forms had been reviewed in Personnel with detail updated on the spreadsheets that are forwarded to NYCC Payroll; • Forms had been forwarded to NYCC Payroll promptly to be included in that month's payroll run; • Payments had been correctly calculated; • The payment was identified on the employee's pay slip; and • Receipts had been provided. 	

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

	Summary Findings	Risk
2.04	<p>In all cases the forms had been fully completed with all appropriate detail. In addition it was advised that each employee was claiming the appropriate allowance.</p> <p>It was noted in a number of instances that the employee reference number had been incorrectly recorded on the form by the claimant in a number of instances.</p> <p>It was noted for two of the sample training was being recorded on the claim form. A separate form should be used for training activities to enable the true cost of training to be identified.</p>	<p>The cost of training may not be accurately reflected or monitored.</p>
2.05	<p>The notes on the back of the form state "A separate and complete claim form should be submitted at the end of each calendar month for all journeys made during that month".</p> <p>From the sample it was noted that claim forms for July and August were authorised on 25/09/07. In addition a form had been completed for the months of May and June; and a form had been completed for the months of February, April and May that was authorised on 01/06/07.</p> <p>The authorising officer is responsible for ensuring the journey was appropriate, occurred on the specified date and time and that the mileage claimed for was reasonable. If a claim form is not completed and submitted for authorisation promptly the authorising officer may not be able to verify details.</p> <p>It was advised that the Senior Administration Officer would not know if a previous claim had been already paid if a subsequent claim was submitted for a timescale that was not for the current month. Claim forms are not date stamped upon receipt in Personnel.</p>	<p>Detail may not be easily verified by the authorising officer if submitted late. In addition there is the possibility that duplicate claims may be made if submitted months later.</p>
2.06	<p>In all cases the forms had been appropriately authorised as advised by the Senior Administration Officer. An authorised signatory list is not maintained, however as the organisation is small staff are aware as to who is able to authorise.</p>	

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

	Summary Findings	Risk
2.07	<p>In each case the Travel and Subsistence claim form had been initialled by a Senior Administration Officer within Personnel. Information is input on to spreadsheets that are forwarded to NYCC Payroll for payment. The Senior Administrative Officer is advised by NYCC Payroll on a monthly basis of the date for which spreadsheets need to be submitted to be included in that month's payroll run; this is generally the 7th or 8th of the month. Spreadsheets are maintained for public transport, subsistence and travel.</p> <p>The spreadsheets for public transport and subsistence cover the period of the whole year and the amount claimed is entered by the appropriate name and employee reference number for the month in question. A separate spreadsheet is maintained for each month for travel expenses and the number of miles claimed for is entered against the appropriate name and reference number. This spreadsheet is formulated to calculate the payment due.</p> <p>A revised spreadsheet is forwarded by NYCC Payroll with updated formulae on an annual basis. The appropriate allowance rates need to be entered. The rates on the spreadsheets for May and September were checked and were found to agree to the rates from the NJC.</p>	
2.08	<p>Once complete the spreadsheets are printed off and checked. However it was noted that the checking is undertaken by the same person who input the information in the first instance.</p>	<p>Without an independent review errors may not be identified.</p>
2.09	<p>A report is sent back from NYCC Payroll with payslip information. It was advised that this information is printed off, checked and then destroyed.</p> <p>From the sample selected differences were noted for two employees where the employee reference number was different on the spreadsheets; differences between the travel and subsistence spreadsheets.</p> <p>In all instances the amounts recorded on the payslips agreed with the spreadsheet detail that was completed for forwarding to NYCC Payroll.</p>	

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

	Summary Findings	Risk
<p>2.10</p> <p>2.11</p>	<p>From the sample selected all but one was found to be correctly calculated based upon the number of miles claimed and the cc size of the vehicle. In this instance the calculation made was based upon a vehicle with an engine size in excess of 1200cc. However on the claim form the vehicle for which the claim was being made had an engine capacity noted as 1100cc.</p> <p>In a number of instances the cc recorded on the spreadsheets used to make calculations was different to the detail recorded on the claim forms. However only in the instance noted above did this affect the calculation.</p> <p>A spreadsheet is also maintained by the Receptionist/Administrative Officer detailing business mileage incurred that is forwarded to NYCC Payroll on an annual basis. From the sample selected all the business miles had been correctly updated, however it was noted that the engine size of the vehicles was again incorrectly recorded as identified above.</p> <p>From the sample selected claims for subsistence were made on twenty five occasions amounting to £106.94. Lunch purchases do not have to be supported by a receipt if less than £3.40; this represented twenty one occasions amounting to £65.59. Receipts were available for the remaining four; these were checked to the claim form in respect to amount and date and no problems were found.</p> <p>To be able to claim subsistence the employee must qualify by being away from the office for specific time periods. This was checked to the time periods entered on to the forms and no problems were found.</p> <p>For one of the sample public transport was used and a claim made for the use of train travel; a receipt was attached.</p>	<p>Payments may be incorrectly calculated.</p>

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

	Summary Findings	Risk
2.12	<p>Claims for mileage were made for each of the sample selected. VAT receipts are not submitted with the claim forms but members of staff are expected to retain them. For the sample selected the members of staff were requested to produce VAT receipts for the period of the claim and for a period prior to and after the period of the claim.</p> <p>For one of the sample the employee had left the organisation and for another they were on a career break; no VAT receipts were available for these. For the remainder of the sample VAT receipts were not provided for four; reference numbers 310021, 450007, 423021 and 310042.</p> <p>VAT receipts were not always provided for the period before or after the period for which was being claimed. However the VAT receipts that were provided covered a date over the period for which was being claimed.</p> <p>The VAT inspector may challenge the VAT refund claimed by the Authority if VAT receipts are not available.</p> <p>Reconciliations</p>	The Authority's VAT return could be challenged.
2.13	<p>It was advised that on a monthly basis NYCC forward to the Finance Officer details of payroll related costs. Detail is checked and reconciled to the bank statement before being uploaded on to the financial system through a journal.</p> <p>The sample selected were all traced to the relevant monthly reports and checked for amount and cost code; no problems were found.</p> <p>Driving Licence Insurance and MOT Certificates</p>	

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

2.14	<p>On an annual basis employees are requested to complete a questionnaire, submit their Driving Licence, Insurance Certificate and MOT Certificate for inspection. A copy is made and retained on file.</p> <p>The Receptionist/Administrative Officer maintains a spreadsheet of all those employees who have submitted documentation and the date it was submitted.</p> <p>From the sample selected two were found to only to have submitted the photo card of their Driving Licence and not the additional supporting paper. For a further two, the Insurance and/or the MOT Certificate was for a different vehicle to that for which mileage allowance was being claimed. For a few the MOT and Insurance Certificates on file have now expired but at the time the questionnaires were completed they were valid.</p>	Incomplete documentation may be held.
------	---	---------------------------------------

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

3.0 **OPINION**

3.1 The overall audit opinion of the controls and procedures evaluated is that they are satisfactory.

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

4.0 RECOMMENDATIONS

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
4.1	Employees should be reminded to use the correct form when claiming expenses after attending training courses. In addition consideration should be given to reviewing the existing form with a view to encompassing details for attending courses that would enable them to be easily identifiable.	Useful	2.04	An electronic form mileage form will be designed and implemented which will encompass a column for mileage associated with attending training events.	Caszandra Petersen and Miranda Sugden	August 2008
4.2	Employees should be reminded of the requirement to submit a claim form at the end of each calendar month for all journeys made during that month as identified in the Notes of Guidance on the reverse of each form.	Important	2.05	A reminder is to be sent together with instructions on the revised form.	Caszandra Petersen and Miranda Sugden	August 2008
4.3	Consideration should be given to undertaking an independent review of information entered on to the spreadsheets if staffing levels allow.	Important	2.08	A second review of the spreadsheet will be conducted.	Sally Jowett	April 2008
4.4	The spreadsheets used for the calculation and recording of mileage should be reviewed to ensure they record the correct cc of the vehicle being used and checked to the claim forms submitted on a monthly basis.	Important	2.10	Agreed. Already implemented.	Sally Jowett	February 2008
4.5	Fuel VAT receipts should be maintained by employees who submit claims for travel expenses and provided when requested. Consideration should be given to requesting sight of receipts on a random basis.	Important	2.12	Agreed	Irene Brannon	June 2008

AUDIT REPORT BY THE INTERNAL AUDIT SERVICE

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
4.6	The documentation submitted on an annual basis should be checked to ensure it is complete and relevant to the vehicle concerned. Consideration should be given to requiring staff to submit the annual details again during the year if they change the vehicle that they are using for business mileage.	Important	2.14	The guidance notes request that individuals resubmit documentation when they change their vehicle. A reminder will be sent to all staff.	Sally Jowett	June 2008