

**SCRUTINY CO-ORDINATING
COMMITTEE AGENDA**



Friday 20th January 2006

at 2.00 p.m.

in Committee Room B

MEMBERS: SCRUTINY CO-ORDINATING COMMITTEE:

Councillors Cambridge, Clouth, Cook, Cranney, Flintoff, Hall, Hargreaves, James, Kaiser, Lilley, A Marshall, J Marshall, Preece, Richardson, Shaw and Wright.

Resident Representatives:

Evelyn Leck, Linda Shields and Joan Smith

1. APOLOGIES FOR ABSENCE

2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS

3. MINUTES

3.1 To confirm the minutes of the meeting held on 13th January 2006 (*to follow*)

4. RESPONSES FROM THE COUNCIL, THE EXECUTIVE OR COMMITTEES OF THE COUNCIL TO REPORTS OF THE SCRUTINY COORDINATING COMMITTEE

No Items

5. CONSIDERATION OF REQUEST FOR SCRUTINY REVIEWS FROM COUNCIL, EXECUTIVE MEMBERS AND NON EXECUTIVE MEMBERS

5.1 'HR Strategy' – Scrutiny Topic Referral from Cabinet Member Portfolio Holder for Finance and Performance Management – *Scrutiny Manager / Research Assistant*

ADDITIONAL MEETING – PLEASE NOTE

6. FORWARD PLAN

No Items

7. CONSIDERATION OF PROGRESS REPORTS / BUDGET AND POLICY FRAMEWORK DOCUMENTS

7.1 Budget Consultation – Budget and Policy Framework 2006/07 to 2007/08:
Additional Information - Analysis of Agency and Consultants Expenditure
2005/2006 – *Chief Financial Officer*

8. CONSIDERATION OF FINANCIAL MONITORING/CORPORATE REPORTS

8.1 Audit Commission Inspection Report for 2005/06: Key Systems IT Controls : -

a) Covering Report – *Scrutiny Manager*

b) Key Systems IT Controls Report – *ICT Specialist, Audit Commission*

9. ITEMS FOR DISCUSSION

No Items

10. CALL-IN REQUESTS

11. ANY OTHER ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT

ITEMS FOR INFORMATION

i) **Date of Next Meeting Friday 27th January 2006, commencing at 3.30 pm in Committee Room B**

SCRUTINY CO-ORDINATING COMMITTEE

MINUTES

13th January, 2006

Present:

Councillor Marjorie James (In the Chair)

Councillors: Harry Clouth, Rob Cook, Kevin Cranney, Gerald Hall, Pamela Hargreaves, Geoff Lilley, Ann Marshall, Arthur Preece, Carl Richardson, Jane Shaw and Edna Wright

Resident

Reps. Evelyn Leck, Joan Smith and Linda Sheilds

Also

Present: Councillor Peter Jackson, Finance and Performance
Management Portfolio Holder
Martin Denny, Employers Organisation

Officers: Ian Parker, Director for Neighbourhood Services
Mike Ward, Chief Financial Officer
Charlotte Burnham, Scrutiny Manager
Jonathan Wistow, Scrutiny Support Officer
Joan Wilkins, Principal Democratic Services Officer
Rebecca Redman, Temporary Research Assistant (Scrutiny)
Jo Wilson, Democratic Services Officer

106. Apologies for Absence

Apologies for absence were received from Councillors John Cambridge and Stan Kaiser.

107. Declarations of interest by members

None

108. Minutes

The minutes of the meetings held on 20th December 2005 were confirmed.

109. Response from the Cabinet to the Scrutiny Co-ordinating Committee's Final Report into the Authority's Financial Reserves (Cabinet Member Portfolio Holder for Finance and Performance Management)

The Finance and Performance Management Portfolio Holder presented a report outlining:

- Cabinet's response to the Scrutiny Co-ordinating Committee's review into the Authority's Financial Reserves.
- The comments made by the Audit Committee in the 2004/2005 Annual Audit Letter on the Authority's Financial Reserves.

The Portfolio Holder indicated that Cabinet on the 7th November 2005, considered in detail the Scrutiny Co-ordinating Committee's report and endorsed all of the recommendations contained within it. The Chief Financial Officer provided a summary of the progress following the meeting in dealing with the recommendations and outlined the comments made by the Audit Commission in the 2004/5 Annual Audit letter on the Authority's reserves.

Members were pleased to hear that Cabinet had endorsed its recommendations, including the return of monies to the General Fund, and during the course of discussions raised the following issues around Cabinet's suggestion that the reserves identified by the Co-ordinating Committee for return to the General Fund be earmarked for Equal Pay costs:-

- i) Attention was drawn to the pressure being placed on Central Government by a number of Local Authorities facing similar budget pressures for financial assistance to meet these costs. Concern was expressed that if Hartlepool was to make alternative arrangements to cover these costs it could prohibit the authority from taking advantage of any financial assistance that might become available.

The Chief Financial Officer outlined the current position in relation to Equal Pay and indicated that the issue of financial assistance to meet these costs had been raised with the Minister by a recent delegation from Hartlepool. Whilst the Minister was sympathetic to Hartlepool's position it had been highlighted that there were a number of other Local Authorities in a similar position and that there was no guarantee of Government Assistance.

- ii) Concern was expressed that the decision to earmark General Fund resources was a Council decision and that once earmarked they would be unavailable for use to meet any other risk/emergency should the need arise. In view of this Members

were of the view that the decision regarding the use of balances should be left to Council.

Decision

- i) The report was accepted.
- ii) That the Portfolio Holder feedback to Cabinet the Committees view that the resources transferred back to reserves from the General Fund should not be earmarked, as suggested by Cabinet on the 17th November, and that the decision regarding the allocation of the reserve should be made by Council.

110. Consideration of Request for Scrutiny Reviews for Council, Executive Members and Non Executive Members

No Items

111. Forward Plan (*Scrutiny Manager*)

No items. Members, however, reiterated their concerns regarding the level of detail in the plan and requested that additional information be included in the future.

112. Consideration of Progress Reports/Budget and Policy Framework Documents

No Items

113. Consideration of Financial Monitoring/Corporate Reports

No Items

114. Second and Third Tier Officers Salary and Grading Review Scrutiny Referral (*Scrutiny Manager*)

Further to minute number 95 of the previous meeting, the Scrutiny Manager introduced Mr Martin Denny from the Employers Organisation (EO) who went on to give a detailed presentation outlining the process being undertaken for the Second and Third Tier Officer Salary and Grading Review. Following consideration of the presentation the following issues were discussed:-

i) Clarification was sought as to the role of the Scrutiny Co-ordinating Committee in the process.

Members were reminded that the referral was received from the Finance and Performance Management Portfolio Holder and that the overall aim of the scrutiny enquiry was to

“examine the recommendations of the EO, as part of the Second and Third Tier Officer Salary and Grading Review, within the prescribed timescale”.

The purpose of today’s meeting was to clarify for the Committee the process to be followed by the EO in preparation for consideration of the completed EO report.

ii) Members queried:

a) If the results of the work of the EO would result in the establishment of regional pay bands. Members were advised that the work being undertaken related specifically to Hartlepool, although comparisons would be made with other authorities in the North East as part of the process, and would not result in the establishment of regional pay bands.

b) The cost of the work being undertaken by the EO. The Director of Neighbourhood Services indicated that details of the cost for the EO’s work were to be brought back to the next meeting of the Committee for consideration. In accordance with Members wishes details were also to be provided of the costs of the costs of the Corporate Restructure.

c) If as part of the process the EO would be looking at the number of posts and their relevance to the work of the Authority. It was clarified that the EO would not be looking at the structure and would only be looking at existing posts, in terms of know-how, problem solving and accountability of each post, to provide a snap-shop against which a pay strategy could be formulated. Job evaluation was not about how a job worked.

d) How disparity’s between the Directors and second tier posts could be married together and prevented. Details of the process for the evaluation were provided whereby jobs were ranked and a pay/grading strategy formulated and applied to them. Members were advised that if job evaluations were done on a regular basis there would be no problem with disparities in the future, however, it was noted that a process had not been implemented in the past. Members expressed concern that there had been no ongoing evaluation of posts and accepted the need for a process to be put in place and maintained in the future.

- e) Why the job evaluation was being done now and not after the restructure was completed.** The EO representative assured Members that the process was being undertaken in the right order and that with a snapshot of the Authority's posts an evaluation could be carried out and a pay strategy formulated. This strategy could then be applied to the new structure.

In relation to concerns that evaluations would need to be carried out twice Members were advised that this was not the case. The EO representative indicated that in his experience second and third tier posts would not change drastically enough to require a re-evaluation following finalisation of the new departmental structures. There did, however, as previously indicated need to be a mechanism in place for the evaluation of senior posts in the future.

Whilst this was noted Members highlighted that the purpose of the restructure had been to work more efficiently and expressed concern that at the suggestion that there would be little difference between the second and third tier posts in the old and new structure. The EO representative reiterated that job evaluation looked at a post in terms of know-how, problem solving and accountability requirements and that these did not change with a change to how a post works.

- f) Which staffing structure the EO was looking at.** In an attempt to address the issue the Chairman reiterated that the EO would not be looking at the authority's staffing structure. It would be looking at the grading of the posts that flowed from the restructure and not those that had been in existence for a long time.

The Director of Neighbourhood Services explained that the implementation of the new corporate structure began with the decision to go down to four departments and appoint Directors for each. This was now complete and the next stage of the process involving the appointment of second and third tier officers was now being undertaken.

The work commissioned from the EO related to the second and third tier posts only and was being undertaken through the Hay methodology. The job evaluations for the grades beneath these tiers was to be undertaken through a different scheme (Local Government Job Evaluation Single Status Scheme). From this point the Directors would then be able to consider the structure for their departments and Members reminded officers of the Committees request as part of its involvement in Corporate Restructure process for scrutiny involvement in the formulation of structures by the each of Directors. Members requested that the appropriate officers be reminded of this.

- g) Would Directors be bringing back a wish list for structure for scrutiny consideration.** Members were advised that this would not be the case and that whilst scrutiny could put forward its views and contribute to the process in that way the decision would lie with Cabinet. The Chairman highlighted that scrutiny's concern throughout the Corporate restructure was the absence of a process and the need for one to be put into place to deal with the implementation of the restructure.
- h) What would happen if a post ended up being graded lower following evaluation than the grade previously given.** Members were advised of the options available whereby an individuals terms and conditions could be reorganised to bring the post up to the grade previously given or the salary of the post held with no increments until it catches up.
- i) Members expressed concern that they could not scrutinise the work of the EO without details of the new structure and the importance highlighted of ensuring that they were provided with all of the necessary information.** Members reiterated concerns expressed throughout the Corporate Restructure process regarding the availability of information. As part of scrutiny's involvement in the referral being considered today attention was drawn to the need for the provision of copies of the new structures as far completed, details of where the posts link into the structure and a summary of what each post does. The Director of Neighbourhood Services confirmed that the corporate re-structure approved in 2005 did include a structure for 2nd tier posts and these were the posts that were being evaluated. He explained that the exact content of some of the roles could not be finalised until directors were in post and could confirm the exact content of each of the posts. He noted the comments and indicated that he would provide details of the structures, posts and basic content of each post for the next meeting.

Following completion of discussions the Chairman thanked Mr Denny for his presentation and indicated that the Committee was looking forward to receiving the EO's report.

Decision

- i) The contents of the report and presentation were noted.
- ii) The Director of Neighbourhood Services indicated that detail of the cost of the work being undertaken by the EO, and the Corporate Restructure, would be brought back to the next meeting.

iii) That copies of the following be provided for the next meeting:

- New structures for each department as far completed,
- Details of where the posts link into the structure
- A summary of what each post does.

115. HMS Trincomalee Trust Scrutiny Referral – Informal Meeting with the HMS Trincomalee Trust (*Scrutiny Manager/Chair of the Scrutiny Co-ordinating Committee*)

Further to minute number 80 of the meeting held on the 14th November 2005 the Scrutiny Manager reported that an informal meeting had been held with the Trincomalee Trust to discuss the process to be undertaken for consideration of the scrutiny referral. The meeting took place on the 11th January 2006 and those involved were:

Members of Scrutiny Co-ordinating Committee: Councillors James, Hargreaves and Hall;

Officers: Borough Solicitor, Acting Assistant Director – Community Services, Head of Planning and Economic Development, Scrutiny Manager and the Research Assistant (Scrutiny Support); and

Chairman and General Manager of the HMS Trincomalee Trust

The Chairman of the Co-ordinating Committee updated the Committee on the outcome of the meeting and in particular the agreement reached with the Trust that they would co-operate fully with the scrutiny process. As part of the process the Trust was to fully participate in meetings to answer questions relating to issues including work practices and provide all required information.

Members were pleased to hear of the Trusts willingness to participate and thanked the small group of Councillors and Officers for their work in achieving the agreement with the Trust.

Decision

The verbal report was noted

116. Draft Final Report for Adult and Community Services and Health Scrutiny Forum – Pandemic Influenza – Contingency Planning
(Chair of the Adult and Community Services and Health Scrutiny Forum/*Scrutiny Manager*)

The Chair of the Adult and Community and Health Scrutiny Forum presented a report outlining the findings of the Forums enquiry into Pandemic Influenza – Contingency Planning. As part of the report details were provided of the background to the enquiry and conclusions reached by the forum.

Decision

The content of the report, and the Forums findings and conclusions were endorsed and approved for submission to Cabinet.

117. Draft Final Report – Involving Young People
(Chair of the Children’s Services Scrutiny Forum)

The Chair of the Children’s Service Scrutiny Forum presented a report outlining the findings of the Forums Involving Young People enquiry. As part of the report details were provided of the background to the enquiry and the 18 recommendations made by the forum.

Following consideration of the report Members requested that congratulations be passed onto the Forum for the quality and outcome of the enquiry. The only issue raised related to the implications of future changes the Children’s Services Department and the Forum was asked to keep a watching eye to ensure that young people continue to be included as much as possible. The Chair indicated that this would be done.

The Chair of the Scrutiny Co-ordinating Committee drew attention to the method of binding and cover of the final report and sought approval for the presentation of all final scrutiny reports in the same manner. Whilst Members were happy to approve the binding of the report it was felt that the covers should reflect the remits for each Forum, rather than there being a single cover for all scrutiny reports.

Decision

- i) The content of the report, and the findings outlined within it, were endorsed and approved for submission to Council.
- ii) That all scrutiny final reports be spiral bound in the future, although the possibility of a more suitable front cover for the Children’s Services Scrutiny Forum be further explored.

118. Call-In Requests

No Items

119. Any Other Business

i) Training – Change of date

The Scrutiny Manager reported that the joint Cabinet/Scrutiny Event diared for the 24th January 2006 was now to be held on the 13th February 2006, commencing at 6.00pm to 7.00pm. Members were advised that the decision to change the date of the event had been taken following a request from the facilitators for an opportunity to speak with the scrutiny chairman and Cabinet before the event. The slot on the 24th January was now to be utilised for this session and the main event moved to the 13th February as indicated. The Scrutiny Manager apologised for changing arrangements at such short notice and advised the Committee of informal meetings of each Forum to be held prior to the meeting on the 24th January. The views expressed at these meeting were to the fed into the meeting with the facilitators by the scrutiny chairs.

As each member of the Co-ordinating Committee was also a member of a Forum it was felt that there was no need for an informal meeting of the Committee as Members views would be expressed through their individual Forums. However, any Member who was unable to attend the informal meeting of their Forum was invited to submit their views in writing to the Chair of the Committee or the Scrutiny Manager.

MARJORIE JAMES

CHAIRMAN

SCRUTINY CO-ORDINATING COMMITTEE

20 January 2006



Report of: Scrutiny Manager/Research Assistant

Subject: 'HR STRATEGY' - SCRUTINY TOPIC REFERRAL
FROM CABINET MEMBER PORTFOLIO HOLDER
FOR FINANCE AND PERFORMANCE
MANAGEMENT

1. PURPOSE OF REPORT

1.1 To inform Members of the Scrutiny Co-ordinating Committee of the recent scrutiny topic referral from the Cabinet Portfolio Holder for Finance and Performance Management, to the Overview and Scrutiny Function.

2. BACKGROUND INFORMATION

2.1 As outlined within the Authority's Constitution, the Scrutiny Co-ordinating Committee has a mandatory obligation to consider referrals from Council, Cabinet and individual Cabinet Members within the timescale prescribed.

2.2 At a meeting of the Finance and Performance Management Portfolio held on 28 November 2005 (Minute 2 refers), consideration was given to Member involvement in the revision of the Authority's current HR Strategy.

2.3 Following the discussion it was resolved that there would be Scrutiny involvement and it was suggested that the Scrutiny Co-ordinating Committee set-up a small Working Group to consist of three/four Members from the membership of its Committee. The Working Group would then be required to consider the proposed revisions to the HR Strategy and to report their findings back to the Scrutiny Co-ordinating Committee and the Cabinet Portfolio Holder for Finance and Performance Management thereafter.

2.4 Given no timescale for the undertaking of this referral was prescribed, the referral (as per the Authority's Constitution) should be considered not later than 10 weeks after being agreed by this Committee.

3. RECOMMENDATIONS

3.1 It is recommended that the Scrutiny Co-ordinating Committee:-

- (a) notes the mandatory undertaking of the referral from the Cabinet Portfolio Holder for Finance and Performance Management;
- (b) seeks a maximum of four nominations from Members of this Committee to serve on the proposed Working Group; and
- (c) agrees that the findings of the Working Group be presented to the meeting of the Scrutiny Co-ordinating Committee on 24 February 2005, and thereon to the meeting of the Finance and Performance Management Portfolio on 6 March 2006.

Contact Officers: - Charlotte Burnham – Scrutiny Manager
Rebecca Redman – Temp Research Assistant (Scrutiny)
Chief Executive’s Department - Corporate Strategy
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BACKGROUND PAPERS

The following background paper was used in the preparation of this report:-

- (i) Report of the Chief Personnel Services Officer entitled ‘HR Strategy Development’ presented to the Finance and Performance Management Portfolio Meeting held on 28 November 2005.
- (ii) Minutes of the Finance and Performance Management Portfolio held on 28 November 2005.

SCRUTINY CO-ORDINATING COMMITTEE

20th January, 2006



Report of: Chief Financial Officer

Subject: ANALYSIS OF AGENCY AND CONSULTANTS
EXPENDITURE 2005/2006

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide details of agency and consultants costs for 2005/2006 as requested by Members at your meeting on 20th December, 2005.

2. BACKGROUND

2.1 As Members will be aware the Council has experienced significant vacancies, particularly at Senior Officer level. This position has existed for a significant period and reflects the loss of a number of staff when the former Chief Executive left the Authority. More recently, vacancies have arisen as the Authority has worked through the process of implementing the new departmental structure.

2.2 At the same time the Council has also experienced abnormally high turnover at an “operational level”. This position largely reflects recent increases in Government funding for Education and Social Services. As a result of this increased funding authorities have been competing for staff.

2.3 In order to address the capacity issues arising from these changes the Council has used agency staff and consultants to ensure:

- the continued delivery of day to day services; and
- the development of services in response to the challenging agenda laid down by the Government.

2.4 The Council has managed this process well. This view is supported by the announcement of CPA rankings before Christmas, which categorised Hartlepool as “four star – improving well”.

3. ANALYSIS OF AGENCY AND CONSULTANTS EXPENDITURE 2005/2006

3.1 The fundamental reason for using agency staff and consultants is to protect service delivery from the impact of capacity constraints whilst avoiding long term commitments, as follows:

- Agency Staff – have been used in a variety of circumstances to cover temporary capacity constraints arising from:
 - seasonal peaks in workload;
 - to cover short term vacancies, such as maternity or sickness; or
 - to provide resources in areas experiencing particular recruitment difficulties.
- Consultants – have been used:
 - to provide specialised expertise which is either not available within the Council, either because of the scarcity of the specialism, or because it would not be cost effective to maintain this level of expertise on a permanent basis;
 - to provide special support/guidance/validation of existing arrangements e.g. recruitment of Senior Officers;
 - to lead and undertake specific projects, which are generally funded from specific resources and not the Council's main revenue budget.

3.2 It is important to note that the appointment of agency staff and consultants are subject to specific contractual arrangements, which define the nature of the services to be provided, the cost of the service and the duration of the contract. Under these arrangements the individuals “working” for the Council remain employees of the agency/consultancy providing the service and do not become Council employees. This distinction is important as it ensures that these individuals do not accrue employment rights with the Council.

3.3 Details of expenditure on agency staff and consultants is summarised in the following tables, which provides details of:

- Actual expenditure at 15th December, 2005;
- Forecast Outturn for 2005/2006;

3.4 The table also provides details of how these costs will be funded as follows:

- Departmental Base Budget Salary Savings

These savings arise from staffing vacancies during 2005/2006. It should be noted that these are savings over and above the turnover target established for 2005/2006 of £0.741m.

- Departmental Base Budget Other Savings

These are savings on non-pay budget, which have been identified during 2005/2006.

- Departmental Reserves

These are resources which departments have previously earmarked for one-off commitments.

- Grant

This is funding which the Council has secured for a specific initiative, which is time limited. Therefore, rather than employing additional staff directly, it is appropriate to use agency staff/consultants.

Table 1 – Analysis of Agency Expenditure (Supporting details are provided in Appendices 1 to 6)

	Forecast Outturn £ '000	Forecast Outturn - Funding Analysis			
		Departmental Base Budget Salary Savings £ '000	Departmental Base Budget/ Other Savings £ '000	Departmental Reserves £ '000	Grant £ '000
Adult & Community Services	157.3	92.8	0.0	57.0	7.5
Children's Services	161.5	111.1	0.0	0.0	50.4
Chief Executives	141.5	39.8	2.8	68.4	30.5
Neighbourhood Services	427.6	83.6	6.6	0.0	337.4
Regeneration & Planning	5.6	5.6	0.0	0.0	0.0
	893.5	332.9	9.4	125.4	425.8

Table 2 – Analysis of Consultancy Expenditure (Supporting details are provided in Appendices 7 to 13)

	Forecast Outturn £ '000	Forecast Outturn - Funding Analysis			
		Departmental Base Budget Salary Savings £ '000	Departmental Base Budget/ Other Savings £ '000	Departmental Reserves £ '000	Grant £ '000
Adult & Community Services	87.5	2.0	40.6	0.0	44.9
Children's Services	589.2	214.5	95.3	194.2	85.2
Chief Executives	57.6	0.0	13.3	22.6	21.7
Neighbourhood Services	86.7	30.6	0.0	0.0	56.1
NDC	15.0	0.0	0.0	0.0	15.0
Regeneration & Planning	187.7	0.0	28.2	0.0	159.5
	1,023.7	247.1	177.4	216.8	382.4

4. RECOMMENDATIONS

4.1 It is recommended that Members note the report.

APPENDIX 1Summary of Agency Expenditure to 15/12/05 and Forecast Outturn

Department	05 /06 Spend to Date (15/12/05) £ '000	Forecast Outturn £ '000	Funding Analysis					Total £ '000	Supporting Details
			Departmental Base Budget Salary Savings £ '000	Departmental Base Budget/ Other Savings £ '000	Departmental Reserves £ '000	Grant £ '000			
Adult & Community Services	137.1	157.3	92.8	0.0	57.0	7.5	157.3	Appendix 2	
Children's Services	132.2	161.5	111.1	0.0	0.0	50.4	161.5	Appendix 3	
Chief Executives	107.4	141.5	39.8	2.8	68.4	30.5	141.5	Appendix 4	
Neighbourhood Services	287.1	427.6	83.6	6.6	0.0	337.4	427.6	Appendix 5	
Regeneration & Planning	5.6	5.6	5.6	0.0	0.0	0.0	5.6	Appendix 6	
	669.4	893.5	332.9	9.4	125.4	425.8	893.5		

Appendix 2

Analysis of Agency Expenditure to 15/12/05 and Forecast Outturn for Adult & Community Services

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget/ Other Savings £	Departmental Reserves £	Grant £			
Arts, Events & Museums	5.2	7.5	0.0	0.0	0.0	7.5	7.5	Arts Development	
Assessment & Care Management	104.6	120.0	63.0	0.0	57.0	0.0	120.0	Use of Agency staff to lead on key strategic tasks re development of the agenda for adult social care until new director appointed In addition, agency staff used to cover short term vacancies supporting social work teams	
Home Care Total	1.8	1.8	1.8	0.0	0.0	0.0	1.8		
Learning Disabilities Support	9.4	10.0	10.0	0.0	0.0	0.0	10.0	LD SWAT Team	
Sensory Loss and Occupational Therapy	8.1	9.0	9.0	0.0	0.0	0.0	9.0	Sensory Loss Team - Admin Cover	
Support Services	8.0	9.0	9.0	0.0	0.0	0.0	9.0	Support Services - Admin cover	
	137.1	157.3	92.8	0.0	57.0	7.5	157.3		

Appendix 3

Analysis of Agency Expenditure to 15/12/05 and Forecast Outturn for Childrens Services

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget/ Other Savings £	Departmental Reserves £	Grant £			
Children and Families	27.1	36.1	36.1	0.0	0.0	0.0	36.1	Agency staff to cover staff vacancies.	
Special Needs Services	59.7	75.0	75.0	0.0	0.0	0.0	75.0	Specialist Supply Teachers used at the A2L	
Sure Start Central	45.4	50.4	0.0	0.0	0.0	50.4	50.4	SLA Payments to Patch & North Tees Womens Aid for services to client families	
	132.2	161.5	111.1	0.0	0.0	50.4	161.5		

Appendix 4

Analysis of Agency Expenditure to 15/12/05 and Forecast Outturn for Chief Executives

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis				Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget/ Other Savings £	Departmental Reserves £	Grant £		
Accountancy	25.9	25.9	0.0	0.0	25.9	0.0	25.9	Agency Staff employed to cover secondment to support Childrens Services
Benefits	23.0	35.9	35.9	0.0	0.0	0.0	35.9	Agency Staff employed to ensure CPA Benefits Service Maximum Score
Business Continuity	41.3	41.3	0.0	0.0	41.3	0.0	41.3	Development of Business Continuity
Corporate Management running Expenses	2.8	2.8	0.0	2.8	0.0	0.0	2.8	Direct cost of covering maternity leave
Equal Pay	1.2	1.2	0.0	0.0	1.2	0.0	1.2	Use of agency for COT3 settlements
Legal Services	9.3	30.5	0.0	0.0	0.0	30.5	30.5	Agency Solicitor to cover additional work for CPO's
Personnel - Health & Safety	3.9	3.9	3.9	0.0	0.0	0.0	3.9	Covering vacancies
	107.4	141.5	39.8	2.8	68.4	30.5	141.5	

Analysis of Agency Expenditure to 15/12/05 and Forecast Outturn for Neighbourhood Services

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Total £	Comments
			Departmental Base Budget £	Salary Savings £	Departmental Base Budget/ Other Savings £	Departmental Reserves £	Grant £		
Admin Services	10.7	12.0	12.0	0.0	0.0	0.0	12.0		
Engineers	21.6	28.8	28.8	0.0	0.0	0.0	28.8	Cover for Long Term Sickness	
Legionella	67.3	104.0	42.8	0.0	0.0	61.2	104.0	Provision of Specialist Legionella Staff	
PP & H Mgt	4.9	6.6	0.0	6.6	0.0	0.0	6.6		
Property Services	182.6	276.2	0.0	0.0	0.0	276.2	276.2	Provision of specialist architectural services to cover vacancies	
	287.1	427.6	83.6	6.6	0.0	337.4	427.6		

Note - Grant funding shown above relates to fee income chargeable on capital schemes

Appendix 6

Analysis of Agency Expenditure to 15/12/05 and Forecast Outturn for Regeneration & Planning

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget/ Other Savings £	Departmental Reserves £	Grant £			
Admin	5.6	5.6	5.6	0.0	0.0	0.0	5.6	Agency staff required to maintain Hanson House reception point coverage during recruitment period for 2 vacancies. Arrangement now ceased	
	5.6	5.6	5.6	0.0	0.0	0.0	5.6		

APPENDIX 7Summary of Consultancy Expenditure to 15/12/05 and Forecast Outturn

Department	05 /06 Spend to Date (15/12/05) £ '000	Forecast Outturn £ '000	Funding Analysis					Supporting Details
			Departmental Base Budget Salary Savings £ '000	Departmental Base Budget/ Other Savings £ '000	Departmental Reserves £ '000	Grant £ '000	Total £ '000	
Adult & Community Services	60.2	87.5	2.0	40.6	0.0	44.9	87.5	Appendix 8
Children's Services	447.0	589.2	214.5	95.3	194.2	85.2	589.2	Appendix 9
Chief Executives	30.4	57.6	0.0	13.3	22.6	21.7	57.6	Appendix 10
Neighbourhood Services	71.2	86.7	30.6	0.0	0.0	56.1	86.7	Appendix 11
NDC	12.2	15.0	0.0	0.0	0.0	15.0	15.0	Appendix 12
Regeneration & Planning	130.3	187.7	0.0	28.2	0.0	159.5	187.7	Appendix 13
	751.3	1,023.7	247.1	177.4	216.8	382.4	1,023.7	

Analysis of Consultancy Expenditure to 15/12/05 and Forecast Outturn for Adult & Community Services

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget Other Savings £	Departmental Reserves £	Grant £			
Adult Education	14.5	16.9	0.0	0.0	0.0	16.9	16.9	Consultancy for new online enrolmant/ payment system	
Archaeology	9.3	23.5	0.0	23.5	0.0	0.0	23.5	Part of base budget - expert advice required for archaeology projects	
Arts, Events & Museums	4.6	5.5	0.0	5.5	0.0	0.0	5.5	Arts & Museums Disaster Plan £3,000 + 2 reports regarding education spaces	
Assessment & Care Management	12.5	13.0	0.0	3.0	0.0	10.0	13.0	£10,000 contribution to Connected Care Pilot (Hpool PCT)	
Countryside	1.8	2.0	2.0	0.0	0.0	0.0	2.0		
Grounds Maintenance (TBA)	2.4	2.5	0.0	2.5	0.0	0.0	2.5		
Libraries	1.0	1.0	0.0	0.0	0.0	1.0	1.0		
Neighbourhood Renewal Fund	3.5	3.5	0.0	0.0	0.0	3.5	3.5	Male Life expectancy Project - research costs	
Renaissance in the Regions	5.0	13.5	0.0	0.0	0.0	13.5	13.5	Budgeted consultancy costs for Renaissance projects	
Service Strategy and Regulation	2.7	3.0	0.0	3.0	0.0	0.0	3.0	Specialist work relating to future of PCTs (report produced)	
Sports & Physical Recreation	1.3	1.4	0.0	1.4	0.0	0.0	1.4		
Support Services	1.6	1.7	0.0	1.7	0.0	0.0	1.7		
	60.2	87.5	2.0	40.6	0.0	44.9	87.5		

Analysis of Consultancy Expenditure to 15/12/05 and Forecast Outturn for Children's Services

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis				Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget Other Savings £	Departmental Reserves £	Grant £		
Access	1.8	1.8	0.0	1.8	0.0	0.0	1.8	Asset Management/Feasibility - base budget exists for this type of spend
Children and Families	110.8	146.0	54.3	58.0	31.7	2.0	146.0	Cover for Assistant Director post. Other costs include support from external agencies such as the Substance Misuse Worker and Adoption Support Services which have been budgeted for.
Early Years	4.1	5.5	0.0	5.5	0.0	0.0	5.5	Experienced Child Minders employed to mentor/support/advise new recruits
Managed Revenue Underspend	107.5	153.9	0.0	0.0	153.9	0.0	153.9	Education advisors who work in schools; Other is Consultancy employed to aid with C&YP Plan, Asset Management, Building Schools for the Future
Other School Related Expenditure	3.0	3.0	0.0	3.0	0.0	0.0	3.0	Payment to Teesside Uni for Tees Valley Sports
Raising Educational Achievement	59.0	70.0	0.0	23.0	0.0	47.0	70.0	Use of Advisory Consultants on provision of courses
Special Needs Services	3.9	4.0	0.0	4.0	0.0	0.0	4.0	Advisors
Strategic Management	124.0	168.8	160.2	0.0	8.6	0.0	168.8	Covering vacant posts of Head of Resources & Finance Manager In addition, work on C&YP plan, Asset Management
Sure Start	29.0	29.0	0.0	0.0	0.0	29.0	29.0	Payment for independent evaluation of SSLP by specialist company.
Sure Start Central	3.6	7.2	0.0	0.0	0.0	7.2	7.2	Evaluation of programme by Durham Uni independent specialists.
	446.7	589.2	214.5	95.3	194.2	85.2	589.2	

Analysis of Consultancy Expenditure to 15/12/05 and Forecast Outturn for Chief Executives

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis				Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget Other £	Departmental Reserves £	Grant £		
Fraud	1.0	21.7	0.0	0.0	0.0	21.7	21.7	Fraud Investigation contractor employed during last year of DWP
Public Relations	6.8	13.3	0.0	13.3	0.0	0.0	13.3	Consultancy recharge for advertising income generated to support Hartbeat.
Job Evaluation	22.6	22.6	0.0	0.0	22.6	0.0	22.6	Job Evaluation Report/Technical Interviews
	30.4	57.6	0.0	13.3	22.6	21.7	57.6	

Analysis of Consultancy Expenditure to 15/12/05 and Forecast Outturn for Neighbourhood Services

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Total £	Comments
			Departmental Base Budget £	Salary Savings £	Departmental Base Budget Other Savings £	Departmental Reserves £	Grant £		
Consumer Services	23.0	30.6		30.6	0.0	0.0	0.0	30.6	Cover for vacant posts. Health Inspectors required to ensure meet KPI Cover for vacant posts Payment for Camera Partnership
Housing Retained Services	20.5	20.5		0.0	0.0	0.0	20.5	20.5	
Property Services	4.1	4.1		0.0	0.0	0.0	4.1	4.1	
Traffic & Road Safety	23.6	31.5		0.0	0.0	0.0	31.5	31.5	
	71.2	86.7		30.6	0.0	0.0	56.1	86.7	

Note - Grant funding shown above relates to fee income chargeable on capital schemes

Analysis of Consultancy Expenditure to 15/12/05 and Forecast Outturn for New Deal for Communities

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget Other Savings £	Departmental Reserves £	Grant £	Total £	
New Deal for Communities	12.2	15.0	0.0	0.0	0.0	15.0	15.0	Professional Advice
	12.2	15.0	0.0	0.0	0.0	15.0	15.0	

Analysis of Consultancy Expenditure to 15/12/05 and Forecast Outturn for Regeneration & Planning

Best Value Group	05 /06 Spend to Date (15/12/05) £	Forecast Outturn £	Funding Analysis					Total £	Comments
			Departmental Base Budget Salary Savings £	Departmental Base Budget Other Savings £	Departmental Reserves £	Grant £			
Admin	3.5	10.0	0.0	0.0	0.0	10.0	10.0	Consultants used for digitisation of local plan map for viewing via internet as required by ODPM. Having achieved this will also attract future years PDG money. Outturn includes £6,500 charge for specialist GIS training from software provider	
Community Safety	3.4	3.4	0.0	0.0	0.0	3.4	3.4	Externally funded TNEY support for management of CJIP (drug) programme.	
Development Control	1.3	15.0	0.0	5.0	0.0	10.0	15.0	An amount of £5,000 is estimated for consultants fees for specialist planning advice. In addition, in Dec 05, R&P portfolio holder approved the commissioning of a study on Sec215 Untidy Buildings in preparation for formal enforcement actions	
Economic Development	17.2	21.6	0.0	8.3	0.0	13.3	21.6	£6,527 spent on consultants to research baseline info for £60m LEGI bid. £1,816 specialist consultancy on Business Support. Expecting spend of around £13,000 at outturn on 'consultants' to deliver skills training to clients returning to the workplace	
Hartlepool Partnership	4.9	4.9	0.0	4.9	0.0	0.0	4.9	Consultants used to facilitate Best Value Review work and specialist research. Also a piece of work commissioned towards aligning partners business plans to reflect Community Strategy objectives	
Neighbourhood Renewal Fund	97.5	117.8	0.0	0.0	0.0	117.8	117.8	£56,923 for independent evaluation of full £9.4m NRF programme. This is essential to the programme and meets Government requirement. The balance is Eco Dev expenditure on 'consultants' to deliver skills training to various client groups.	
Planning Policy & Regeneration	0.0	10.0	0.0	10.0	0.0	0.0	10.0	A £10k consultants study into Minerals and Waste is required for the Local Development Framework and likely to occur in 2005/6. Departmental reserves are earmarked for this purpose.	
Youth Offending Service	2.5	5.0	0.0	0.0	0.0	5.0	5.0	Specialist assistance for specific elements of Youth Offending work eg self assessment, youth justice. Small YJB grant funded annual budget is available	
	130.3	187.7	0.0	28.2	0.0	159.5	187.7		

SCRUTINY CO-ORDINATING COMMITTEE
20 January 2006



Report of: Scrutiny Manager

Subject: COVERING REPORT – AUDIT COMMISSION
INSPECTION REPORT FOR 2005/06: KEY
SYSTEMS IT CONTROLS

1. PURPOSE OF REPORT

1.1 To inform Members of the Scrutiny Co-ordinating Committee that arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting, to present the Inspection Report for the Authority's Key Systems IT Controls (Agenda Item 8.1 (b) refers).

2. BACKGROUND INFORMATION

2.1 As Members are aware, consideration of Inspection Reports relating to corporate and financial issues of the Authority form part of this Committee's remit.

2.2 As a result of this, arrangements have been made for a representative from the Audit Commission to be in attendance at this meeting to present the Inspection Report

3. RECOMMENDATION

3.1 It is recommended that Members of this Committee:-

(a) Note the content of this report; and

(b) Consider the content of the Inspection Report to be presented by the Audit Commission (Agenda item 8.1 (b) refers).

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BACKGROUND PAPERS

There were no background papers used in preparation of this report.

Audit Detailed Report

November 2005

Key Systems Controls

Hartlepool Borough Council

Audit 2005-2006

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.

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Summary report

Introduction and background

- 1 The main accounting system forms the basis for the Council's annual accounts which are reviewed to form our opinion. It is the most fundamental system the Audit Commission presently audits and we will be required to undertake sufficient work to ensure compliance with the International Standards of Accounting (ISA) from 2005/06 onwards.
- 2 The Council also has many other systems that feed or receive data to/from the main accounting system, which is currently CODA Financials. Therefore the controls applied to departmental systems are also important in terms of ensuring data integrity and reducing the risk of material errors or the likelihood of fraud.
- 3 A recent review of Internal Audit reviews of key systems has indicated that this work has concentrated on the manual controls within systems. Therefore, there was a need for greater coverage of IT controls that support such systems and therefore additional work was required to provide the opinion for 2004/05.

Scope, objectives and audit approach

- 4 The review was designed to address both the opinion and corporate governance elements of our code of practice responsibilities. The main areas included in the review and how we approached the work are as follows.
 - Document the flow of information to and from the general ledger (CODA) in order to identify the system interfaces and key controls.
 - Review and assess the operation of controls over the update of the systems.
 - Ascertain and evaluate the controls over the integrity of data.
 - Review the controls over user access.
 - Review the controls over backup and recovery for system.
- 5 In order to satisfy the above scope, an IT Specialist has:
 - mapped the processes and controls for the interfaces between systems;
 - identified key controls and tested these where appropriate;
 - reviewed the arrangements for user access on all key systems and tested the key controls where appropriate; and
 - reviewed the arrangements for backup, recovery and disaster recovery for key systems and tested key controls where appropriate.

Main conclusions

- 6 Overall, the arrangements for access controls and disaster recovery supporting the key systems the Council operates were assessed as weak. The Council has now addressed a number of these issues and is working with its IT partner and system providers to address the remaining issues. The weaknesses relate to:
 - password and access controls did not comply with recommended industry standards;
 - a lack of proactive monitoring, review or testing by the Council of the security of the systems; and
 - Internal Audit activity concentrated on manual control process and there was limited coverage by Internal Audit of IT controls/security of systems
- 7 At the time of review, CODA provided weak password security for the users of the system. It is acknowledged that the Council has now addressed the weaknesses identified in the review. The Council recognises that these controls need to be replicated in the new Financials application.
- 8 I-World currently provides effective security for the users of the system but weaknesses were identified in the excessive number of privileged job roles and weak password security for the highest privileged user of the system. Plans are currently being developed to remedy the identified weaknesses in conjunction with the system supplier.
- 9 Prolog currently provides weak security for the users of the system in part due to the number of platforms users must log on to for system access resulting in ineffective/weak controls for logical access and also due to system limitations. The Council is currently investigating the system limitations to determine whether solutions are financially feasible and compensating controls are being implemented.
- 10 The AS400 on which the Prolog and CODA systems reside currently provides limited security for the users and weak arrangements supporting the highly privileged users of the system. These issues are being progressed with the Council's IT Partner.
- 11 The interface process is largely manual and time consuming and a result could present risks of data inaccuracy or untimely reflection of data in systems. It is acknowledged that compensating controls are in place (eg reconciliation and budgetary controls) to detect material errors, however, this may not detect small value fraud or error. It is planned that the replacement of the current Financials application will allow the Council to remedy the weaknesses and inefficiencies currently experienced.
- 12 The Council has now completed the tendering process for the replacement of the FM system and appointed an agreed supplier. It is planned to implement the new system from the 1 April 2006. The Council, the successful supplier and the Council IT partner recognise and assess that this is a challenging, but achievable deadline and with appropriate project management arrangements included within the contracts the deadline will be achieved.

6 Key Systems Controls | Summary report

- 13 Backup arrangements are assessed as appropriate for key systems but weaknesses were identified in the disaster recovery arrangements encompassing none AS400 systems.

Detailed report

CODA user access

- 14 In order to access CODA, a user must first access the network with a user ID and a password and then require a CODA logon on their desktop, which requires a further user ID and a password.
- 15 The security parameters established for CODA were assessed as weak at the time of review, however, it is acknowledged that because the issues were highlighted at the time of review the Council immediately resolved these issues to a satisfactory level. Weaknesses identified included the following:
- The minimum password length was set at four characters and therefore passwords can be potentially weak and easily guessable. It is acknowledged that users as a general rule do not use four character passwords but the system does not prevent this from occurring.
 - The password expiry was set to 31 days, which is normal best practice. However, no control was enforced to ensure the user changed the password to something different from the previous one because the parameter for this control was not set. Therefore a user could potentially use the same password permanently, which as a result reduces the strength of the password expiry at 31 days.
 - The parameter to enforce a limited number of attempts to enter the correct password before the user is locked out has not been set and this increases the risk of an unauthorised user repeatedly attempting to guess the password. The risk is also increased due to the weak password length control currently in place.
- 16 The Council immediately informed CODA users of the required security parameters as soon as the issues were highlighted by the ICT Specialist and have subsequently implemented the required parameters on the CODA application.

Recommendation

R1 The Council should ensure that the recommended security parameters are applied to the new Financials application when implemented.

- 17 In order to provide segregation of duties, the Council has assigned privileges to a 'Capability' for different roles, and then assigned users to an appropriate 'Capability' depending on their role or function. However, review of a sample of these capabilities indicated that there are many more capabilities than are normally required. These have been developed over a period of the system's life to ensure appropriate cover is provided and that users are provided the privileges they require. There is a concern that the current arrangements over user access to a 'Capability' may provide an over complex administrative process. It is acknowledged that the Council will address this issue when implementing arrangements within the new FM system.

Recommendation

R2 The Council should ensure that careful consideration is made to how users will be assigned to a 'Capability' in the future to ensure there is adequate segregation but also balancing this with the need to reduce the burden on administration.

- 18 A review of the users with access to inputting and posting journals to general ledger identified a lack of preventative controls (ie access controls providing segregation of duties) between input and posting, but it is acknowledged that adequate compensating controls are established (ie procedures are in place and officers are aware that the procedures must be followed and reconciliations).
- 19 A number of weaknesses were identified during the review of CODA User Access and highlighted to the Council. Satisfactory improvements have been made to address these issues.

I-World user access

- 20 In order to access I-World a user must first access the network with a user ID and password and then users require a user ID and password to gain access to the I-World application.
- 21 Generally the I-World system provides for effective user access and good practice is adhered to for security and segregation of duties including:
- pre-defined job roles with specific privileges and officers are assigned to the appropriate role for their function;
 - password minimum length of six characters - normal best practice is seven characters but this not assessed as a medium or high-risk;
 - password expiry set at 28 days;
 - three attempts to enter the system with the correct password; and
 - one numeral required in the password.

- 22 However, there are weaknesses identified during the review around the high privileged users such as 'RB' user. The 'RB' user is a system default user which has been assigned with the 'FIRST' job role providing full access to the system. The 'RB' user does not require a strong password (presently four characters) and does not require a password change at a given interval. This weakness was highlighted during the review and initial investigations by the Council indicate that this may be due to a system limitation, however, further investigations are progressing with the software supplier to identify how this can be best addressed.

Recommendation

R3 The Council should where possible ensure that all user accounts require a strong password and that these passwords expire.

- 23 In addition, the 'FIRST' user role has been assigned to approximately 17 users of I-World and therefore a large number of users have full access to the system. This weakness was highlighted during the review and there are plans to reduce the number of users significantly.

Recommendation

R4 The Council should ensure that the users with 'FIRST' user role is reduced the minimum required to satisfactorily administer the application.

- 24 The above risks are exacerbated by a lack of periodic monitoring of highly privileged access such as the 'FIRST' job role. There is, therefore, a risk that inappropriate activity or accidental errors are more likely due to the number of users with such privileges.

Recommendation

R5 The Council should ensure that where user accounts require a 'hard coded' password and these user accounts do not expire, that periodic review of such users activity is performed.

Prolog payroll user access

- 25 In order to gain access to the Payroll system, a user must first access the network with a user ID and a password, then require a user ID and password for the AS400 library on which the Payroll system resides and then require a user ID and a password for the Prolog application. The network and AS400 Payroll library access arrangements are managed by Northgate and the access to the Payroll application is managed by the Payroll Manager.
- 26 The review concludes that the user access arrangements for the Payroll system are weak, although some of the weaknesses are attributed to the limitations of the system and solutions have been investigated in the past.
- 27 The responsibility for the user access arrangements is split between Northgate and the Council, which in itself is not assessed as a weakness but the process of gaining access to the application is cumbersome and potentially over controlled.
- 28 Although it is acknowledged that users require a password to gain access to the application, these passwords do not expire and the present arrangements result in the Payroll Manager knowing all passwords of all users. Such issues reduce the effectiveness of a password control.

Recommendation

R6 The Council should ensure more effective controls are enforced for the users of the Payroll system including where possible password expiry. Such security parameters should correlate with those of other applications and platforms (such as Lotus Notes Email and Network access).

- 29 There were examples of live users found who have either left the Council or have moved departments and in both examples do not require access to Payroll. The Payroll Manager indicated when such issues arose that they are dependent on user departments informing them of the leaver or change in role before access is removed. However, as this is the Payroll process, it is expected that this department would be aware of leavers because these would be reflected in information initiated by Personnel and result in a leaver on the Payroll.

Recommendation

R7 The Council should develop a corporate process for leavers that ensures that system administrators are made aware that a leaver requires removing or disabling from the system (in terms of access).

- 30 A number of other minor housekeeping weaknesses were identified during the review of Payroll user access including:
- examples of generic user accounts were found, which do not provide accountability for access - these will be removed following this review; and
 - a number of housekeeping issues were also identified (users still having user ids relating to their maiden names or user ids that are not best practice).
- 31 The above weaknesses were highlighted during the review and have subsequently been resolved. The Council also continues to investigate other compensating controls for the Payroll application where there are limitations for preventative/system controls.

AS400 user access

- 32 The AS400 is the platform on which the CODA Financials and Prolog Payroll systems reside and therefore a key platform supporting key business processes. However, only the Payroll system requires Northgate to create file access to the Payroll library on the AS400, as most users of CODA use the browser version and therefore users do not individually log on to the AS400. Essentially the AS400 contributes to the internal control environment of the Payroll system and supports the arrangements for CODA Financials.
- 33 The security assigned to the AS400 governing user access was assessed as weak and the following observations were made:
- password minimum length of six characters - normal best practice is seven characters but this is not assessed as a risk;
 - a number of settings that could enforce strong passwords have not been configured and therefore users can use easily guessable passwords. These included preventing the use of the user ID as a password, preventing using the same characters repetitively and not ensuring users require a numeric in their password); and
 - users are also not prevented from using the same password repeatedly (ie they can use the same password each time they change at password expiry interval) and therefore reduces the effectiveness of the current password expiry of 21 days.

Recommendation

R8 The Council should ensure that the security parameters of the AS400 address recommended good practice and correlate with those of other applications and platforms (such as Lotus Notes Email, Network, CODA, Prolog).

- 34 In addition, to the weaknesses identified on password parameters for the AS400, a number of issues were also identified regarding the high privileged users of the platform (primarily Northgate users). High privileged user such as *SECOFR (providing full access to the platform) has been assigned to a number of generic user accounts and these are used by a number of staff within Northgate in support of the application. As a result, high privileged user access is not attributable to an individual user and therefore increases the risk of unauthorised activity or accidental errors, which are difficult to trace to an officer.

Recommendation

R9 The Council should ensure that high privileged access where this is required is assigned to attributable user IDs.

- 35 The above weaknesses are exacerbated by the lack of password expiry enforced on high privileged users.

Recommendations

R10 The Council should ensure that where possible all user accounts should require expiring passwords.

Overall conclusions

- 36 Overall the internal controls supporting the user access arrangements of the Council's key systems were assessed as weak at the time of the review. Although it is acknowledged there is no evidence that there have been any unauthorised access to the system. In many cases the Council has now addressed these weaknesses. Many of the weaknesses are contributed to by limitations of the present CODA and Prolog systems for which short and medium term plans for replacement are established. Many of the weaknesses are as a result of:
- the Council having a variety of systems on a variety of differing platforms (eg the network, the AS400);
 - the Council having a variety of levels of logical access (eg the network, the AS400 and the application itself);
 - differing security policies applied to each platform and each level of access resulting in the need for simple/easily guessable passwords;
 - a lack of appropriate guidance from ICT on best practice for security; and
 - the Council's keenness to 'keep things easy' in terms of user access due to the above.

- 37 However, it is acknowledged that the Council has taken prompt action to resolve the security issues raised in relation to CODA and further investigations are being made into the limitations of the Payroll application preventing effective controls. Plans are in place to resolve the weaknesses identified on I-World and work is ongoing with Northgate to address AS400 controls.

Interfaces

- 38 A variety of systems interface either automatically or manually (via journals or electronic file uploads) to CODA Financials and other Council systems. Examples include:
- income received by the Council via REMIT Cash Receipting is manually input to the ledger by Accountancy; and
 - payroll summary totals are uploaded by Accountancy as an electronic journal.
- 39 The Council recognises that the current interface process could be improved and this would provide efficiency savings, although it will require an upfront investment. The replacement of CODA will provide the Council with the opportunity to achieve these efficiencies by automating and integrating feeder systems.
- 40 In addition, reviews at other Councils recently indicate that Neighbourhood Services and Schools are now using the new Financials systems rather than their own departmental systems, which in this case relates to UNICLASS and SIMS respectively. However, it is acknowledged that the Council has attempted in the past to encourage the use of CODA by schools and plans to include Neighbourhood Services in the replacement of the Financials application.
- 41 It is also acknowledged that the Council is seeking to implement an automated interface between Cash Receipting and Financials, Council Tax and NNDR refunds (which is presently a manual interface with CODA) and replace the UNICLASS system used by Neighbourhood Services.

<i>Recommendation</i>
<i>R11 The Council should where possible automate the interface process.</i>

Overall conclusions

- 42 There is scope to improve the existing interface process and this would enable the Council to achieve efficiency savings. The replacement of CODA should assist the development of more automated interfaces in the future and this way reduce the risk of data integrity issues or small value errors.

CODA replacement project

- 43 A replacement supplier has now been selected for the replacement of the CODA system. The new system will be going live from 1 April 2006. The project will be significant for the Council in terms of
- the efficiency savings that may be gained from the replacement;
 - addressing the requirements of the e-government target; and
 - ensuring the Council has a more accurate timely financial position.
- 44 Such projects require significant resources and planning. It is therefore important that the Council manages this process carefully to ensure the above objectives are addressed appropriately and to ensure effective internal controls are developed during the implementation.

Recommendation

R12 The Council should ensure that the risks of non-delivery within the planned timescales are appropriately identified and evaluated and appropriate action taken to mitigate such risks (eg insufficient resources, finance, project does not meet expected requirements or objectives).

- 45 In addition, recent review of Internal Audit coverage indicated a weakness in their ability to effectively contribute to key projects to ensure projects are managed appropriately/to standards expected. The role of the Internal Auditor in a project must be clearly defined from the initiation of the project to provide appropriate benefit to the project but also ensuring the independence of the auditor. It is also acknowledged that this has been in part addressed by the planned provision of IT Audit training by the Audit Commission and will continue to be an ongoing development. However, to supplement this training, the Council needs to formally establish the role of Internal Audit within projects.

Recommendation

R13 The Council should ensure that the role of Internal Audit in the CODA replacement project is clearly defined and that periodic independent assessments of the project's progress and the effectiveness of internal controls are built into the project.

Overall conclusions

- 46 The present plans for implementation of the replacement Financial Management system by 1 April 2006 are challenging. The Council has recognised the risks associated with the achievement of this timescale. The Council has indicated that appropriate project management arrangements are being developed, including the adoption of PRINCE2 methodology.

Backup, recovery and disaster recovery

- 47 All key systems were found to have appropriate backup arrangements established on a daily basis with off-site storage of backups whilst not in use.
- 48 The only platform with disaster recovery arrangements is the AS400. However, the contract with the supplier provides a number of day's recovery testing which Northgate have indicated have not been 'taken up' but planned before the end of 2005. The arrangements appear informal and there appears to be no formal strategy for disaster recovery including the requirement for periodic testing of arrangements. Therefore although arrangements may be in place, such arrangements may not be effective if not tested regularly to obtain the required assurances.

Recommendation

R14 The Council should ensure that a strategy for disaster recovery testing is in place for all key systems.

- 49 In addition, no disaster recovery is currently in place for such systems as I-World Revenues and Benefits or REMIT Cash Receipting. Such systems are key to the income and expenditure processes of the Council and could impact on the reputation of the Council if a period of unavailability occurred.

Recommendations

R15 Disaster recovery arrangements should be implemented for all key systems.

R16 The Council should ensure that disaster recovery requirements are built into the success criteria of projects including the current replacement of CODA.

Overall conclusions

- 50 Backup arrangements are assessed as effective but disaster recovery across all key systems is weak.

Appendix 1 – Action plan

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R1 The Council should ensure that the recommended security parameters are applied to the new Financials application when implemented.	3	Financial Services Manager	Yes	The Council has implemented recommendations within the existing Financial Management system.	April 2006
R2 The Council should ensure that careful consideration is made to how users will be assigned to a 'Capability' in the future to ensure there is adequate segregation but also balancing this with the need to reduce the burden on administration.	2	Financial Services Manager	Yes	The Council is already investigating the applicable 'Capability Groups' for the chosen Financials application.	April 2006

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R3 The Council should where possible ensure that all user accounts require a strong password and that these passwords expire.	3	Support Services Manager and Northgate	Yes	The Council is currently investigating whether the weakness is due to a system limitation and whether other compensating controls can be implemented to reduce the risk.	December 2005
R4 The Council should ensure that the users with 'FIRST' user role is reduced the minimum required to satisfactorily administer the application.	3	Support Services Manager and Northgate	Yes	The Council plans to reduce the number of users assigned to this user role down to five.	December 2005
R5 The Council should ensure that where user accounts require a 'hard coded' password and these user accounts do not expire, that periodic review of such users activity is performed.	2	Support Services Manager and Northgate	Yes		December 2005

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R6 The Council should ensure more effective controls are enforced for the users of the Payroll system including where possible password expiry. Such security parameters should correlate with those of other applications and platforms (such as Lotus Notes Email and Network access).	3	Payroll Manager/ Northgate	Yes	The Council has requested an options appraisal from the ICT Partner (Northgate) to remedy some of the weaknesses identified. In addition, the future replacement of the system will allow stronger controls in the longer-term.	December 2005
R7 The Council should develop a corporate process for leavers that ensures that system administrators are made aware that a leaver requires removing or disabling from the system (in terms of access).	2	Payroll Manager	Yes	The Council is seeking to implement a corporate approach to leavers via the ISO17799 process.	December 2005

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R8 The Council should ensure that the security parameters of the AS400 address recommended good practice and correlate with those of other applications and platforms (such as Lotus Notes Email, Network, CODA, Prolog).	3	Financial Services Manager/ Northgate	Yes	The Council has raised a helpdesk call with the ICT Partner (Northgate) to request that the AS400 is 'brought into line' with other recommended best practice to be applied to other platforms and applications.	December 2005
R9 The Council should ensure that high privileged access where this is required is assigned to attributable user IDs.	3	Financial Services Manager/ Northgate	Yes	As above.	December 2005
R10 The Council should ensure that where possible all user accounts should require expiring passwords.	3	Financial Services Manager/ Northgate	Yes	As above.	December 2005

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R11 The Council should where possible automate the interface process.	2	Group Accountant (Technical)	Yes	Cash Receipting interfacing with Financials will be more automated as a result of the Financials replacement project. UNICLASS users will migrate to the new Financials application. Schools will be encouraged to take on the new corporate Financials application. Other manual feeds will be automated where the benefits are identified.	November 2005 and ongoing.
R12 The Council should ensure that the risks of non-delivery within the planned timescales are appropriately identified and evaluated and appropriate action taken to mitigate such risks (eg insufficient resources, finance, project does not meet expected requirements or objectives).	3	Financial Services Manager/IBS/ Northgate	Yes	Although the Council agrees that the timescales are challenging, consultation with the supplier and the ICT Partner (Northgate) indicate that the timescales are achievable if the resources are committed to the project.	November 2005 onwards.

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R13 The Council should ensure that the role of Internal Audit in the CODA replacement project is clearly defined and that periodic independent assessments of the project's progress and the effectiveness of internal controls are built into the project.	3	Chief Internal Auditor	Yes	Agreement will be made with Internal Audit on their role within the project and a process of independent assessment possibly reporting outside of project structures will be established (ie to the Chief Financial Officer or Assistant Chief Financial Officer rather than the Project Manager).	November 2005 and ongoing.
R14 The Council should ensure that a strategy for disaster recovery testing is in place for all key systems.	3	Corporate Strategy/ Northgate	Yes	The Council's IT Partner Northgate test the Council's current DR arrangements annually with their DR suppliers Network Disaster Recovery. With the implementation of the new FMS these arrangements are under review to ensure they are appropriate for this new system and also on whether the service should be extended to cover other key IT systems.	December 2005 and ongoing.

Recommendations	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R15 Disaster recovery arrangements should be implemented for all key systems.	3	Corporate Strategy/ Northgate	Yes	A number of disaster recovery options are currently being investigated including reciprocal arrangements with Housing Hartlepool, this process includes extending the DR service to other systems the Council define as key.	December 2005 and ongoing.
R16 The Council should ensure that disaster recovery requirements are built into the success criteria of projects including the current replacement of CODA.	3	Corporate Strategy	Yes	A Systems Acceptance Policy is currently being developed; ensuring DR arrangements are considered in project delivery and included within policy. This will need to be revisited in terms of the project plans as it is a key requirement of a Financials application.	December 2005 and ongoing.