

# Final Internal Audit Report

## IT Application Audit - Street System

### June 2019

**Distribution:**

- Executive Director, Place (Final only)
- Executive Director, Resources (Final only)
- Director of Public Realm
- Chief Digital Officer
- ICT Service & Contract Manager
- Highway Asset Manager

Assurance Level	Identified Issue	
<b>Substantial Assurance</b>	Priority 1	0
	Priority 2	1
	Priority 3	0

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

## Contents

Page

### Executive Summary

1. Introduction.....	3
2. Key Issues.....	3

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3. Actions and Key Findings/Rationale.....	4
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### Appendices

1. IT Application Street System - Terms Of Reference
2. Definitions For Audit Opinions And Identified Issues
3. Statement Of Responsibility

## Executive Summary

### 1. Introduction

- 1.1 The Council has entered into a new highways contract and to support this, new Street System software has been procured which was scheduled to go live on 1<sup>st</sup> October 2018.
- 1.2 The Cloud based hosted system was procured as a fully managed service to help manage workflow and provide the Council with an on-demand system to manage business processes within street works and to give an overview of the highways and street works maintenance process.
- 1.3 The system will enable the management of reactive day to day works and is being used as a management tool to include raising service requests monitoring of inspections and defects, and will also manage works orders.
- 1.4 Currently, the system does not integrate with other systems within and across the Council but this is planned for the next phase.
- 1.5 Changes to the live environment including requests and applying changes will follow the London Borough of Croydon Change Control process. This was not tested due to the supplier having main administrative access, and no approvals/testing at the time of the audit.
- 1.6 It was noted that an annual review would be carried out to determine access rights and also to ensure housekeeping of the system. As the system is a new system there has been no review this year.
- 1.7 It was also noted that training is available to users of the street system. Staff are also given one-to-one training by the Senior Projects Engineer. He is also one of the systems administrators and a super user of the system. A variety of supplier user training notes were also provided.
- 1.8 This audit is part of the Internal Audit Plan for 2018/19 as agreed by the General Purposes and Audit Committee. The audit objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

### 2.0 Key Issues

#### Priority 2 Issue.

Although interface controls were confirmed to be in place, these were not being properly evidenced as monitored and responsibility for the contract monitoring function had not been formally assigned, (Issue 1.)

**3. Actions and Key Findings/Rationale Detailed Report**

**Control Area: Interface Controls and Processing – System processing is checked for completeness.**

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1
2	<p><i>However, it was not possible to confirm the outcome of the street system jobs as the Highway Maintenance Service is not currently maintaining logs or recording any results of these. It is noted that this functionality is available but has not been implemented.</i></p> <p>Confirm has now been configured to maintain logs and additional features and functionalities continue to be added to the system to address other service needs. Payments are now reconciled in Confirm and payments to the Contractor are based on the value of approved claimed values that have been signed off by our council officers.</p> <p><i>Further discussions with Procurement and the Highway Maintenance Service established that responsibility for the contract monitoring function had not been formally assigned</i></p> <p>At the time of the audit whilst the Single System software had been rolled out, it was still being project managed by our IT Team. There are still outstanding phases of the project to be delivered and following the first 6 months, the second phase of the delivery is now being scoped. The current contract</p>	<p>From discussions with the Highway Maintenance Manager, Senior Projects Engineer and the ICT Programme Manager, it was noted that the system provides a daily job report on the outcome of the jobs. This goes to a Manager or Inspector to be agreed and authorised and run to run control totals are used to ensure completeness. There is also a dashboard which is visible to all staff to enable full transparency of jobs currently being carried out and also those which have been completed.</p> <p>By carrying out a reconciliation of run to run controls and cumulative totals where failures of partially successful jobs are highlighted, it was possible to identify failures occurring or to inspect evidence that processing has been checked for completeness. However, it was not possible to confirm the outcome of the street system jobs as the Highway Maintenance Service is not currently maintaining logs or recording any results of these. It is noted that this functionality is available but has not been implemented.</p> <p>Further discussions with Procurement and the Highway Maintenance Service established that responsibility for the contract monitoring function had not been formally assigned. The Procurement Manager stated that when the business is ready to handover and seek contract monitoring support they will need to inform Procurement. The Senior Projects Engineer stated as the system is 'very new', the Council is still in the process of setting up the contract monitoring function.</p> <p>It was confirmed that there are contract monitoring officers who ensure all SLA's/PI's are being adhered to in a timely manner and a monthly performance report detailing the operation of the contractor's management systems, with adherence to</p>

<p>monitoring arrangements are therefore still split between the service and the IT team.</p> <p><i>However, the monthly performance report had not been completed with full management information stating SLA's and KPI's were being adhered to in a timely manner.</i></p> <p>Relevant KPI's and SLA's have now been embedded as dashboards in Confirm to monitor performance.</p> <p><i>Where responsibility for tasks is not properly assigned and appropriate monitoring records of these tasks maintained, there is a risk that the tasks are not monitored and that errors, omissions and failures are not detected in a timely manner.</i></p> <p>Both LBC and FMC now have in place responsibilities for Tasks and escalation procedures to deal with issues arising.</p>	<p>programme and financial completion and agreement of accounts, was evidenced. However, the monthly performance report had not been completed with full management information stating SLA's and KPI's were being adhered to in a timely manner.</p> <p>Where responsibility for tasks is not properly assigned and appropriate monitoring records of these tasks maintained, there is a risk that the tasks are not monitored and that errors, omissions and failures are not detected in a timely manner.</p>
<p><b>Responsible officer</b></p>	<p><b>Deadline</b></p>
<p>Highway Asset Manager</p>	<p>Implemented</p>

## TERMS OF REFERENCE

### IT Application Audit- Street System

#### 1. INTRODUCTION AND BACKGROUND

- 1.1.1 The Council has implemented a new highways contract and to support this function they have procured new Street System software and this is scheduled to go live on 1<sup>st</sup> October 2018. As part of this year's plan an IT application audit of the Street system will be performed to ensure that controls have been adequately designed and implemented to ensure effective IT security, linkages/interfaces with other council infrastructures and systems.
- 1.2 This audit is part of the Internal Audit Plan for 2018/19 as agreed by the General Purposes and Audit Committee.

#### 2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective of this audit is to provide an objective independent opinion on the adequacy and effectiveness of the control environment with regards to the new Street System post implementation.
- 2.1.1 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate audit testing.
- 2.1.2 The key findings, conclusions, and subsequent issues arising will be discussed with management at an exit meeting, followed by the circulation of a draft report for consideration, prior to agreement and issue of the final audit report.





#### 3. SCOPE

- 3.1 This audit will examine the following areas:
  - Application Management and Governance
  - System Security
  - Interface controls and processing
  - Data Input
  - Data Output
  - Change Control
  - System resilience and recovery
  - Support arrangements

## DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to identified issues are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

## STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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