

REPORT OF FINANCE MANAGER

SUBJECT:
WALES AUDIT OFFICE 'SYSTEMS LETTER'

Purpose of Report

To provide Members with an update on action taken by the Authority in response to the Wales Audit Office's (WAO) Action Plan, which was agreed following WAO's 2010/11 audit of the Authority's financial statements.

Introduction/Background

The Wales Audit Office undertake a number of audits every financial year of the Authority's procedures and practices. As a result of their 2010/11 audit of the Authority's financial statements, an Action Plan was drafted which set out areas where WAO believed the Authority could improve its procedures. The document focuses on financial systems and final accounts rather than governance arrangements, which will be reported in the Annual Audit Letter or as part of the Corporate Assessment or Annual Improvement Reports.

Officers have been given the opportunity to respond to the Action Plan's recommendations and these comments, together with the Audit Office's responses thereto, are incorporated in the document.

Recommendation

Members are requested to NOTE the report.

Background Documents

Wales Audit Office 'Systems letter' and Action Plan: January 2012

(For further information, please contact Richard Griffiths, Finance Manager on extension 4815 or by e-mailing richardg@pembrokeshirecoast.org.uk)

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Action plan

Issue	Recommendation	Authority response and actions	Audit comments
Financial systems and internal controls			
Main accounting system:			
<p>Our review and testing of the period end exercises identified some minor administrative procedures that had not been fully complied with.</p>	<p>Although not a significant weakness, the Authority should remind staff to complete documentation in full.</p>	<p>We accept this finding and will ensure that the month end closure documentation is complete</p>	<p>Response accepted.</p>
IT systems controls			
<p>The integrity of the system is protected by adequate change control procedures, although testing is limited and informal</p>	<p>Testing procedures need to be formalised with clear responsibilities for testing patches and releases fully defined.</p>	<p>When updates are available, IT Manager asks Finance Manager how urgently these need to be applied – this is done with reference to the supplier's Release Notes. Upgrades proceed in agreement between IT Manager and Finance Manager.</p> <p>IT are responsible for applying server updates to the Training environment, and client updates to the IT Manager's PC first. This is tested by IT and Finance (the latter by checking the ledger), before all updates are applied to Live environment and other PCs.</p>	<p>Response accepted, the risk of failures to apply changes and upgrades appropriately is low.</p>

Issue	Recommendation	Authority response and actions	Audit comments
<p>The system is not running at the latest release but current release at latest level of patch. Support for the database administration is adequate with good support from the supplier as required, but the system is not running at the latest release and the Authority does not have sufficient awareness and control over supplier access.</p>	<p>The user should consider upgrading to the latest release of the database software.</p> <p>Supplier access should be reviewed and more fully understood by the user.</p>	<p>The system is now currently on the latest release. As mentioned above, we will not necessarily move to the latest patch, or even latest release, until a time that suits us, unless the release addresses a problem that we are experiencing.</p> <p>Supplier access is well understood. We have a VPN tunnel between our organisations, with appropriate control, through the firewall, over what systems they can access. Their Active Directory account is disabled until we need their help, at which time it is enabled, then disabled again afterwards.</p>	<p>Response accepted.</p> <p>Response accepted.</p>
<p>Business continuity plans have been developed but are not formally documented. There have been frequent test restores of the data from backup media but no full restore of the actual system and live data. The hardware used for backup is now out of contract and due to be renewed.</p>	<p>Develop, document and implement comprehensive and formal business continuity plans, to include procedures to test the live application and data recovery.</p> <p>Review support contract for hardware backup and software maintenance to ensure they are up to date.</p>	<p>The ICT Disaster Recovery Plan has been formally written up. This will be tested in the New Year, including a test of the replicated Finance System in our DR centre.</p> <p>The hardware used for backup has now been replaced and is covered by a 3-year warranty. Backup software maintenance has been continuously maintained.</p>	<p>Responses accepted, we will follow up progress during 2011-12.</p>

Issue	Recommendation	Authority response and actions	Audit comments
Fixed asset register			
<p>The property register covers a number of years (goes back to 2004-05) and links to historic information, particularly for depreciation charges, may not take account of changes in asset values due to additions, revaluations and impairments</p>	<p>The register should be reviewed and where-ever possible, simplified to ensure that the most appropriate and up to date information is used to calculate depreciation and other charges</p>	<p>We accept this finding and will work with our external MS office trainer to simplify the excel property register.</p>	<p>Response noted – we will follow up progress during 2011-12</p>
Final accounts			
<p>Audit of the financial statements report - matters included in that report relating to the accuracy of the financial statements have been addressed as part of the audit and are not repeated in this Letter</p>			
Pensions costs			
<p>At the end of the year, additional pensions costs were incurred and accounted for by amending the estimated costs identified by the Authority's actuary.</p> <p>These were accounted for correctly, but there is a risk that the Actuary's estimates for 2011/12 might also include these transactions</p>	<p>Ensure that the Actuary is aware of the accounting treatment and takes this into account, as appropriate, for 2011/12</p>	<p>Agreed. We will ensure the Actuary is clear about the transactions accounted for in both 2010-11 and 2011-12</p>	<p>Response accepted. Pensions costs will be tested as part of the 2011-12 audit.</p>