



REPORT

SUBJECT: Audit Report Feedback September 2016

MEETING: SRS Board

DATE: September 2016

1. PURPOSE:

- 1.1 The purpose of this report is to update Board with summary audit report conclusions since last periodic reporting.
- 1.2 This report draws upon the following studies
 - Internet usage follow up audit
 - Firewall audit
 - Patch management follow up audit

2. RECOMMENDATIONS:

- 2.1 That Board receive this summary position statement,
- 2.2 And in the Board's consideration of risk of a limited number of studies (4) since this reporting mechanism was introduced,
 - That the system reviewed hasn't met auditors minimally acceptable "SUBSTANTIAL" judgement of its control environment
 - Nor have any of the 3 follow up studies exhibited the comfort of a "SATISFACTORY" progress judgement.

3. JUDGEMENT BASIS

- 3.1 Internal Audit make their judgements based on three standard activity/deficiency matrix.
- 3.2 The first applies when a full audit review is undertaken and allows them to make comparable assessment of control environments pertaining to the various systems under review.

OPINION LEVEL	DESCRIPTION
NIL 0 – 10%	Internal control environment is weak and does not meet minimum expected standards leaving the system / process open to error and / or abuse. There is non-compliance with controls on a significant level and required controls are not present.
LIMITED 11 – 49%	Internal control environment does not meet minimum expected standards and has weaknesses which put the system objectives at risk. There is non-compliance with controls and those operating are not effective or are inadequate.
MODERATE 50 – 69%	Internal control environment does meet minimum expected standards but has weaknesses which put the system objectives at risk. There is some non-compliance with controls and those operating are not effective or are inadequate.
SUBSTANTIAL 70 – 89%	Internal control environment meets minimum expected standards, is basically sound and whilst there is reasonable assurance that the system / process is reliable, weaknesses exist which MAY put SOME of the system objectives at risk. There is some non-compliance with controls but most are adequate and operating satisfactorily.
FULL 90 – 100%	Internal control environment is sound and designed to achieve the system objectives. No evidence of controls being inconsistently applied or operating unsatisfactorily. Absolute assurance that the system / process is reliable.

SUBSTANTIAL being the judgement level where management can take a comfort auditors regard the system under review as “basically sound”.

- 3.3 The second assessment applies to follow up studies and allows them to consider the extent of improvement since last full review. .

Opinion	Description
Excellent	81%-100% recommendations implemented and ineffective controls are not HIGH.
Satisfactory	51%-80% recommendations implemented and ineffective controls are not HIGH.
Unsatisfactory	1%-50% recommendations implemented.
Unacceptable	0% recommendations implemented.

SATISFACTORY is the minimum positive improvement expected by audit colleagues.

- 3.4 Their third-fold consideration applies irrespective of whether the review is a full audit or follow up study, as it relates to the detail of the audit indicating the priority of current recommendations in so far as they resolve deficiencies with the control environment under review. They are,

High	Action considered imperative to ensure the Authority is not exposed to significant risk.
Medium	Action that is considered necessary to avoid exposure to moderate risks.
Low	Action that is considered desirable and should result in enhanced control or efficiency and effectiveness

4 FINDINGS:

4.1 Internet Usage Follow Up Audit – Distributed as final 26th May 16

4.1.1 23 controls were reviewed in the original audit report dated April 2015 with 9 recommendations made for improving the control environment. The audit assurance opinion for the system was moderate.

4.1.2 From the follow up audit testing performed, 3 of the 9 agreed recommendations have been implemented (33%) with 6 recommendations (67%) unsatisfactorily addressed. This control weaknesses should be addressed to deliver improvement in the control environment, reduce the exposure to risk and provide management with greater assurance on the adequacy of the system and its processes. In accordance with the evaluation matrix, this is considered **UNSATISFACTORY**.

4.1.3 The summary recommendations still not implemented relate to the following areas,

System	No. Reviewed	High	Medium	Low	Total
		Finding / Priority			
Policies and Procedures	5	-	3	-	3
Web Filter (Barracuda)	3	-	2	-	2
Logging and Monitoring	1	-	1	-	1
Total	9	-	6	-	6

4.2 Firewall Audit – Distributed as final 8th April 16

This study excluded any analysis of Gwent Police arrangements given the separate security policy pertaining to that type of organization

4.2.1 A systems audit of the Council's Firewall function was undertaken in accordance with the Operational Internal Audit Plan for 2015 - 16. The last systems audit (ref: SRS12-08) was issued to management on 12 Dec 2012.

It contained 15 recommendations for management attention and the audit opinion was limited.

4.2.2 The Firewall audit has established areas in need of management attention with 7 of the 18 key controls tested (38.8%) generating a review point and recommendation for management action. 11 Key Controls are therefore operating effectively (62.2%).

4.2.3 These control weaknesses should be addressed to deliver improvement in the control environment, reduce the exposure to risk and provide management with greater assurance on the adequacy of the system and its processes. All weaknesses have been allocated a priority and management, in accordance with the stated action plan timescales, should take action. As a result of the audit, **MODERATE** assurance can be provided to management.

4.2.4 No High Priority issues were identified. The table below details the number of:

- controls reviewed for each area within the scope of the audit; and
- recommendations made for the controls reviewed.

System	No. Reviewed	High	Medium	Low	Total
		Finding / Priority			
ADMINISTRATION	1	-	1	-	1
ACCESS CONTROL	4	-	1	-	1
FIREWALL CONFIGURATION	6	-	3	-	3
MONITORING	3	-	1	-	1
PHYSICAL SECURITY	2	-	-	-	-
CHANGE CONTROL	1	-	1	-	1
BACKUP / RECOVERY	1	-	-	-	-
TOTAL	18	-	7	-	7

4.3 Patch Management Follow up Audit – Distributed as final 8th April 16

4.3.1 16 controls were reviewed in the original audit report dated December 2014 with 6 recommendations made for improving the control environment. The audit assurance opinion for the system was moderate.

4.3.2 From the follow up audit testing performed, 3 of those 6 agreed recommendations have been implemented (50%). In accordance with the auditors judgement framework this is **UNSATISFACTORY**.

4.3.3 The summary recommendations still not implemented relate to the following areas,

System	No. Reviewed	H	M	L	Total
		Finding / Priority			
DETECT	1	-	-	-	-
ACQUIRE	1	-	-	-	-
TEST	1	-	-	-	-
DEPLOY	2	-	2	-	2
MAINTAIN	1	-	1	-	1
TOTAL	6	-	3	-	3

5 CONCLUSIONS

- 5.1 Given the newness of arrangements there continues to be limited activity data on which to base a robust opinion of trends, with only 3 follow ups and 1 full audit being reported since the introduction.
- 5.2 However none of these 4 studies exhibit a satisfactory improvement to audit colleagues or an adequate control environment, which ought to be a concern to the Board.
- 5.3 In mitigation, there have been no high priority recommendations identified by audit colleagues for urgent address. Instead the majority of audit judgements are influenced by the extent of medium priority recommendations that commonly struggle to be addressed over a prolonged period between full study and follow up or between the systems coming round again in the review cycle.
- 5.4 The ability for SRS to make sufficient improvement between audit reporting should remain a key consideration for review by the Board in the short term.
- 5.5 Since this summary reporting has been introduced, an Informal Board has been constituted and one of its responsibility is to look into operational aspects of audit reports, their implications and adoption of audit recommendations. Also it is understood SRS is applying a "Sprint" based methodology which may allow greater capacity to introduce/consider change going forward. Both are perceived to have a longer term beneficial effect on improving control environments, given the increased discipline introduced, but I do think it probably too early to consider the effectiveness of either feature in influencing control environment improvements.

6 CONSULTEES:

Joy Robson, MCC Section 151 Officer
 Andrew Wathan, MCC Chief Internal Auditor
 Peter Davies, MCC Director of Resources

6 BACKGROUND PAPERS:



SRS-15007 Firewall
Audit Report [FINAL]



SRS-15010 Internet
Usage Audit Report



SRS-15014 Final
Patch Management

7 SUSTAINABILITY AND EQUALITY IMPACT ASSESSMENT

None

8 SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS

None

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