

Agenda Item	3
Report No	AS/19/22

THE HIGHLAND COUNCIL

Committee: Audit & Scrutiny Committee

Date: 30th November 2022

Report Title: External Audit Reports – IT Audit Findings

Report By: Strategic Lead (Corporate Audit & Performance)

1. Purpose/Executive Summary

- 1.1 As part of their work to support the financial statement audit of the Council and the Pension Fund for the year ended 31/03/22, the External Auditors (Grant Thornton) undertook a review of the IT General Controls over a number of applications. The report attached at **Appendix 1** provides details of the work undertaken and their findings.

2. Recommendations

- 2.1 The Committee is invited to scrutinise the audit findings and note the positive outcome that the IT controls tested were judged to be effective. One improvement opportunity was identified and management have provided a response to address this.

3. Implications

- 3.1 There are no Resource, Risk, Legal, Community (Equality, Poverty, Rural and Island), Climate Change / Carbon Clever or Gaelic implications arising from the report.

Designation: Strategic Lead (Corporate Audit & Performance)

Date: 15th November 2022

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The IT Audit Findings for The Highland Council and Pension Fund

Year ended 31 March 2022

Issued 10 October 2022

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Section 1: Executive summary

01. Executive summary

02. Scope and summary of work completed

03. Summary of IT audit findings

04. Detail of IT audit findings

To support the financial statement audit of The Highland Council and Pension Fund for year ended 31 March 2022, Grant Thornton has completed a design and implementation effectiveness review of the IT General Controls (ITGC) for applications identified as relevant to the audit.

This report sets out the summary of findings, scope of the work, the detailed findings and recommendations for control improvements.

We would like to take this opportunity to thank all the staff at The Highland Council and Pension Fund for their assistance in completing this IT Audit.

Section 2: Scope and summary of work completed

01. Executive summary

02. Scope and summary of work completed

03. Summary of IT audit findings

04. Detail of IT audit findings

The objective of this IT audit was to complete a design and implementation controls review over The Highland Council and Pension Fund's IT environment to support the financial statement audit. The following applications were in scope of this audit:

- Capita Integra
- ReosourceLink
- Altair

We completed the following tasks as part of this IT Audit:

- Evaluated the design and implementation effectiveness for security management; change management and technology infrastructure controls
- Performed high level walkthroughs, inspected supporting documentation and analysis of configurable controls in the above areas
- Documented the test results and provided evidence of the findings to Jon Shepherd and Sandy MacKenzie (ICT and Digital Transformation) for remediation actions where necessary.

Section 3: Summary of IT audit findings

01. Executive summary










02. Scope and summary of work completed

03. Summary of IT audit findings





04. Detail of IT audit findings

Overview of IT audit findings

This section provides an overview of results from our assessment of the relevant Information Technology (IT) systems and controls operating over them which was performed as part of obtaining an understanding of the information systems relevant to financial reporting. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
Capita Integra	Detailed ITGC assessment (design effectiveness only)				
ResourceLink	Detailed ITGC assessment (design effectiveness only)				
Altair	Detailed ITGC assessment (design effectiveness only)				

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements / significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

Overview of IT audit findings

IT general controls assessment

- 1 Control weakness was noted in Highland Council and Pension Fund's general IT controls:
- User access within ResourceLink is not revoked for terminated employees on timely basis
-

Section 4: Detail of IT audit findings

01. Executive summary

02. Scope and summary of work completed

03. Summary of IT audit findings

04. Detail of IT audit findings

IT general controls assessment findings

Assessment	Issue and risk	Recommendations
1.	<p data-bbox="212 363 257 411">●</p> <p data-bbox="349 363 1131 427">User access within ResourceLink is not revoked for terminated employees on timely basis</p> <p data-bbox="349 435 1131 659">Application access is not revoked for terminated employees in a timely manner. According to ICT User and Network Access Control Policy, when an employee leaves the Council, access to computer systems and data must be suspended at the close of business on the employee's last working day, It is the responsibility of the Line Manager to notify the suspension of al the access rights to their User Management Representative.</p> <p data-bbox="349 667 1131 826">We identified one of the leaver's access to ResourceLink was terminated 18 days after the last employment date, with notification of access deletion 2 days after the last employment date. However, we noted that this account had no activities after the leaver's last employment date. Thus the risk is mitigated.</p> <p data-bbox="349 882 414 914">Risk</p> <p data-bbox="349 922 1131 1050">Where system access for leavers is not disabled in a timely manner, there is a risk that former employees will continue to have access and can process erroneous or unauthorised access transactions.</p> <p data-bbox="349 1058 1131 1121">There is also a risk that these accounts may be misused by valid system users to circumvent internal controls.</p>	<p data-bbox="1137 363 2177 491">It is recommended management should ensure that ICT User and Network Access Control Policy and associated procedures are in place and followed to revoke application and network access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from line managers.</p> <p data-bbox="1137 547 1435 579">Management Response</p> <p data-bbox="1137 587 2177 810">ICT have checked with Business Support and HR and confirmed that leavers Payroll actions are triggered by the same process as the Leaver notification for ICT access to be removed. ICT will re-check the ATR process (recruitment request) triggering that a matching Leaver request is processed. Other than this we have no alternative trigger mechanism to check that Leaver processing is needed. This would then leave as the main focus HR to re-evaluate the effectiveness of the Leaver process and it being triggered timeously by line managers.</p>

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach



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