

Final Audit Report
OneWorld - NOTTINGHAM CITY HOMES
Security & Privacy
IT AUDIT

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1 Introduction and Background

- 1.1 A review of OneWorld access was undertaken as part of the Internal Audit Plan for 2007-2008. OneWorld is the integrated financial management application that allows Nottingham City Homes (NCH) to process its financial transactions and produce its financial statements.

2 Scope

- 2.1 The scope of this review included:-
- ❖ Access controls
 - ❖ Inter-company journals
 - ❖ Service level agreements
- 2.2 The review was restricted to aspects of security which relate to the work of NCH.

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3 Objective

- 3.1 The objective of the review was to provide assurance to the Head of Finance and the Audit Committee that there are proper controls in respect of data security, data processing integrity and user access.

4 Conclusion

- 4.1 Our review of the inter-company journal process found that the system of monitoring, reconciling and correcting the inter-company account is well managed and ensures that risks associated with these transactions are being controlled.
- 4.2 There are significant deficiencies in the arrangements concerning the privacy of data. Our review indicates that there are limited controls in place to ensure that the company's data is protected from misuse. Employees with unrelated access rights can view sensitive data.
- 4.3 In addition, there are significant deficiencies in the arrangements concerning the contingency arrangements concerning the OneWorld application. Contingency arrangements rely on Nottingham City Council's IT Department being able to recover the OneWorld application within a reasonable period of time. NCH do not have a clear assurance about business continuity.
- 4.4 Therefore, we can only provide a limited assurance that the risks are being adequately controlled.

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4.5 To address these issues there is a need to develop a strategy with Nottingham City Council which would enable the company to protect its data and ensure a continuity of service.

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5 Findings in Detail

OneWorld Shared database

5.1 NCH share the same OneWorld application and the associated databases alongside Nottingham City Council's departments. NCH data does not reside in a separate database, as in the case of the Delphi payroll data that has been split from the Nottingham City Council's Delphi payroll application.

5.2 At the time of NCH being established, a decision was made to use the OneWorld application due to the benefits that would be obtained in using an existing system to manage and report on the company's financial position. Each department within OneWorld is known as a company. Each company is allocated a separate company number within the system. Therefore, a separate company was established within the OneWorld system specifically for NCH.

5.3 There are a series of Service Level Agreements in place between NCH and Nottingham City Council. There are gaps within these agreements that relate to data security and to provision of contingency arrangements, should the OneWorld system be unavailable.

5.4 The company is reliant on Nottingham City Council providing a continuous level of service from OneWorld in order to pay its suppliers and report on financial performance. Should this level of service fail, the company should expect that Nottingham City Council has contingency arrangements in place that allows the company to continue to trade.

5.5 In addition, there has to be an expectation that the company's data is properly safeguarded from misuse. When the company adopted OneWorld as its preferred system, users' access to the system was not modified to restrict users' access to the data. Therefore, with the right level of access it is possible to run financial reports from outside the company and obtain sensitive data that could be misused.

5.6 Therefore, the company in conjunction with Nottingham City Council needs to develop a medium to long term strategy that protects the company's sensitive data and addresses the issue of the OneWorld system being unavailable.

Recommendation

R1 Nottingham City Homes should produce a medium to long term strategy, in conjunction with Nottingham City Council, to ensure that the risks associated with service delivery and data privacy are

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Deleted: <#>There are a lot of benefits from sharing the OneWorld systems, such as shared development costs, shared training and shared support costs. However, there is a downside in that the company is totally reliant on Nottingham City Council being able or willing to continue with the same level of support. ¶ <#>In addition to this there is a need to consider the contingency arrangements should the OneWorld system be unavailable. Currently, reliance is placed on Nottingham City Council being able to recover from any systems downtime. Therefore, Nottingham City Homes faces a risk in that there may be too much reliance being placed with Nottingham City Council that could materially affect the day to day operation of the business. In order to address this risk there is a need to develop an IT strategy so that there is less reliance on NCC to provide the required services.¶

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Access to OneWorld

~~5.7~~ Access to the OneWorld system is established by the way of functionality and the job role of the employee. For example, an employee inputting customer invoices may not have access to running Financial Accounting reports.

~~5.8~~ NCH and Nottingham City Council have defined processes to permit staff to have access to the OneWorld system.

~~5.9~~ NCH's Financial Regulations require that all users are trained to use the OneWorld system prior to access being granted.

~~5.10~~ The review found a satisfactory process for the granting of access and clear evidence that staff have been trained to use the application.

~~5.11~~ However, the process for the removal of users from the OneWorld system is not well controlled. When employees leave, the key Users, who administer the system within NCH, should be notified. This does not happen on a regular basis. NCH's Key Users place reliance on a periodic listing of users being provided by Nottingham City Council IT Development. The latest listing provided and reviewed was in September 2007. This list showed evidence that the list of users had been reviewed and users removed from the system.

~~5.12~~ City Audit Services checked 15 users and found that each were still employed within the organisation. However, a risk still exists in that employees may have left the organisation and unauthorised employees are using their access. This is a particular problem where the employee works at one of the company's branch offices and the office fails to notify that the employee has left the organisation.

Recommendation

R2 ~~NCH's Personnel Section should provide a quarterly listing of leavers to the Key Users for cross-matching to existing OneWorld users. Alternatively, the list of users should be requested from Nottingham City Council IT Development and reviewed on a quarterly basis.~~

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Service Level Agreements

5.13 Nottingham City Homes has many Service Level Agreements (SLAs) with Nottingham City Council. One of these SLAs relates to support provided by Nottingham City Council Financial Accounting.

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5.14 Nottingham City Council's Financial Accounting provides support in the form of:

- ❖ VAT advice and completion of VAT return,
- ❖ Bank Reconciliation – ensure that the bank accounts are reconciled and up to date,
- ❖ Budget setup transfer – moving the approved budget from a development ledger to the live ledger.
- ❖ Payroll Reconciliations.

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5.15 In order to provide this level of support Nottingham City Council staff require access to NCH's accountancy codes in order to complete the required work.

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Privacy of sensitive data

5.16 Nottingham City Council processes data for NCH from external systems into the OneWorld system in order that the financial data is complete and up to date for financial reporting purposes. One of the external systems is payroll. Each week Nottingham City Council's OneWorld Administration Team loads the payroll data from the NCH Delphi system into NCH's ledgers.

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5.17 The payroll file that is loaded identifies individual employees and the individual payments made. Any Nottingham City Council or NCH employee, with the rights to carry out financial ledger enquiries, can view this data. The risk of misuse of sensitive data needs to be managed.

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5.18 Where sensitive data is involved the organisation should state the measures which need to be in place to protect the data from misuse. This could include such matters as properly informing staff of the consequences of data misuse.

5.19 These measures should form part of a data sharing agreement (or protocol) between NCH and Nottingham City Council as both organisations are sharing personal data. The protocol would explain why data is being shared and would set out the principles and commitments both organisations would adopt when they collect store and disclose personal information.

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5.20 Data is being shared with Nottingham City Council in the functions that are performed for NCH. There is no Data Sharing Agreement currently in place.

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5.21 An agreement does not manage the risk as robustly as separation of the data. But, it is believed that the use of an agreement is adequate in

the short term the development of a financial system strategy, as per recommendation 1.

Recommendation

R3 A data sharing agreement should be developed with Nottingham City Council, to protect sensitive data.

Inter-company transactions

5.22 Transactions between the Council's Departments are done using journal entries. This was the case prior to NCH being established as a separate organisation.

5.23 Since NCH was set-up, there is a requirement that all transactions should be supported by invoices or debtor accounts and paid for through a bank account.

5.24 However, sometimes journal entries are still used, although this is relatively rare.

5.25 The review found a satisfactory process for monitoring and reconciling the inter-company account between the two organisations.

5.26 Each month the inter-company account is reconciled and analysed. This analysis identifies the following:

❖ Journals that have been processed for items, such as recharges. Where these occur the accountant responsible is requested to reverse the transactions and replace the charge with a sundry debtor invoice.

❖ Debtors income etc. that has been posted via the Radius system to Nottingham City Council's bank account. The reason for this posting is that a separate account cannot be established within the radius system. The payments received tend to relate to Sundry Debtor accounts. These items are identified within the reconciliation process and are shown on the Settlement Statement.

❖ Payroll deductions in respect of Legal fees and Childcare Vouchers that are due to Nottingham City Council.

5.27 A bank transfer is undertaken at the end of each quarter. NCH are provided with a copy of the settlement statement, which includes any items to be carried forward to the next period

5.28 There is evidence that exceptions discovered by the review process, are being investigated and where possible alternative processing methods are being identified and implemented.

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<#>A bank transfer is undertaken at the end of each quarter. NCH are provided with a copy of the settlement statement, which includes any items to be carried forward to the next period.¶

6 Action Plan

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Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
R1	There are gaps within the Service Level agreements which exposes the company's data to potential misuse. In addition, the contingency arrangements for the OneWorld systems are reliant on Nottingham City Councils IT Departments being able to provide a continuous level of service. Therefore, the company should have some form of expectations as to any down time issues are likely to be resolved.	NCH should produce a medium to long term strategy, in conjunction Nottingham City Council, to ensure that the risks associated with service delivery and data privacy are addressed.	High	NCH is well aware of the risks highlighted. Strategy to be developed with the Council, with a preliminary timescale of agreeing the principles June 2008, subject to Council acceptance of the timescale. This will determine whether the solution is OneWorld upgrade or another option.	Director of Finance. June 2008.

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Ref	Finding	Recommendation	Priority	Management Response	Responsibility and Target Date
R2	<u>Nottingham City Council</u> JT Development last provided a user list in September 2007 to enable OneWorld users to be reviewed. This list may be out of date leaving potential "live access" to unauthorised staff.	<p><u>Nottingham City Homes Personnel Section should supply a leavers report to the OneWorld Key Users on a monthly basis so that access can be reviewed.</u></p> <p><u>Alternatively, Nottingham City Homes should request a monthly report from Nottingham City Council, as to live users within the system. This report should then be reviewed and access removed from any employees who have left the company.</u></p>	High	Agreed.	<p>Head of ICT</p> <p>March 2008</p>
R3	<u>There are no data sharing agreements in place with Nottingham City Council. This means that the responsibility concerning the data has not been clearly defined.</u>	<u>In the short-term the NCH should liaise with City Council in order that a Data Sharing agreement can be drawn up.</u>	High	Agreed	<p>Head of ICT</p> <p>March 2008</p>

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- Deleted: This way the list of users can be managed and not left at the discretion of NCC as to when users should be reviewed. This is especially important as there is no formal means of communication from the Branch offices as to when staff leave the company.
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Signed..... Date.....
(3rd tier manager or above)

7 Glossary of Terms

1 Categorisation of Recommendations

The recommendations within this report have been categorised by City Audit Services as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.

1.	Executive Summary	X
2.	Introduction	X
3.	Scope and Approach	X
4.	Summary of Findings	X
5.	Action Plan	X
	Glossary of Terms	X