

Business Continuity Planning

Internal Audit Final Report 09_10 2.10



Assurance rating this review	Limited Assurance
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Distribution List
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Penny Gardner / Sarah Fogden - Heads of Finance
Jeremy Thomas – Head of Law and Governance
Mike Newman - Corporate Secretariat Manager
David Oaks - ICT Service Manager
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Background and scope

Introduction

This review was undertaken as part of the 2009/10 Internal Audit Plan agreed by the Audit Committee.

This report has been prepared solely for Oxford City Council in accordance with the terms and conditions set out in our letter of engagement. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Background

In December 2008, the Authority underwent a major restructuring exercise which saw a significant change from 18 business units to 12 service areas. As a result of this restructuring, the Authority identified a need to update its Business Continuity Planning (BCP) arrangements in order to ensure continuous service provision in the event of an emergency.

As at the date of audit, this review work had not yet been completed and therefore we were unable to provide a view on how well the Authority would respond in the event of an emergency. We have therefore focussed our work on the Authority's processes for the formulation and testing of BCP strategies in line with the BCP lifecycle and best practice.



Approach and scope

Approach

Our work is designed to comply with Government Internal Audit Standards [GIAS] and the CIPFA Code.

Scope of our work

In accordance with our Terms of Reference (Appendix 1), agreed with the Corporate Secretariat Manager we undertook a limited scope audit of Business Continuity Planning

This limited scope audit involved a review of the design of the key controls together with detailed testing to determine whether the controls are operating in practice.

Our initial fieldwork was carried out in August 2009. During this period we reviewed the core documentation BCP and assessed the control environment in place. Follow up of issues raised during our fieldwork was performed in April 2010 and it was encouraging to note the progress made. This report will outline the status of these issues.

Limitations of scope

The scope of our work was limited to those areas identified in the terms of reference.

Staff involved in this review

We would like to thank all client staff involved in this review for their co-operation and assistance.





Name of client staff
Mike Newman – Corporate Secretariat Manager
David Oaks – ICT Service Manager

Our opinion and assurance statement

Introduction

This report summarises the findings of our review of Business Continuity Planning

Each of the issues identified has been categorised according to risk as follows:

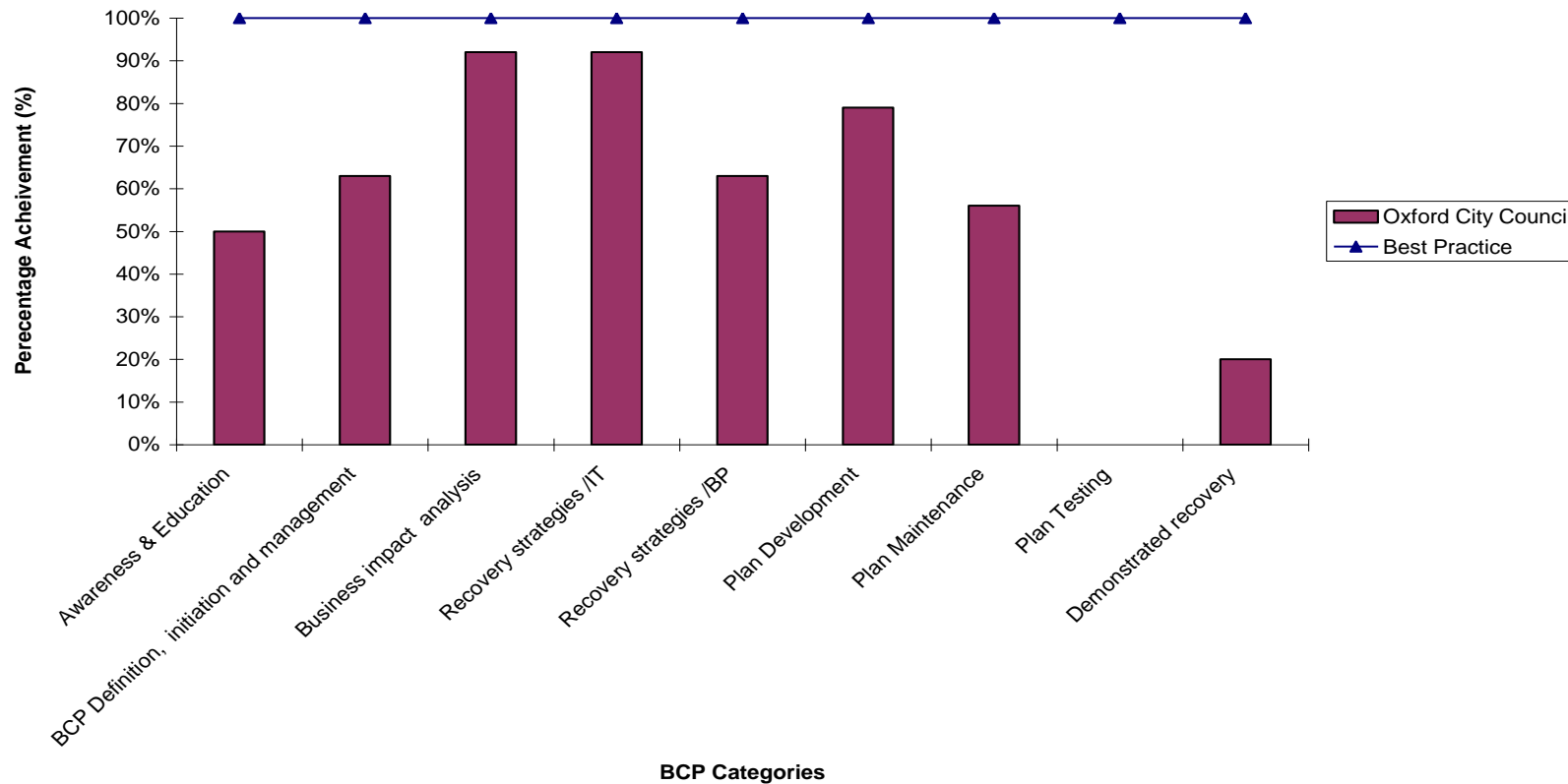
Risk rating	Assessment rationale
 Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the authority's objectives in relation to: <ul style="list-style-type: none"> • the efficient and effective use of resources; • the safeguarding of assets; • the preparation of reliable financial and operational information; and • compliance with laws and regulations.
 High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall authority objectives.
 Medium	Control weakness that: <ul style="list-style-type: none"> • has a low impact on the achievement of the key system, function or process objectives; and • has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
 Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Executive Summary

<p>Department: Chief Executive's Office</p> <p>Audit Owner: Mike Newman</p> <p>Date of last review: N/A</p>	<p>Overall Opinion: Limited Assurance</p> <p>There are some weaknesses in the formularisation and testing of BCP controls which could have a significant impact on the achievement of the BCP process objectives but should not have a significant impact on the achievement of organisational objectives. However, in the remaining elements of the process we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the BCP process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>	<p>Direction of Travel</p> <p>No previous review has been conducted</p>	<p>Number of issues identified</p> <p>0 Critical</p> <p>1 High</p> <p>8 Medium</p> <p>4 Low</p>				
<p>Key Areas of Risk</p> <p>Formalised and tested Business Continuity plans are not in place for all business areas within the Authority.</p>	<p>Other Considerations</p> <table border="1"> <tr> <td colspan="2" data-bbox="714 879 1464 1034"> <p>Corporate Plan- related</p> <p>Key corporate plan objectives may not be achieved if mission critical services cannot be sustained.</p> </td> </tr> <tr> <td data-bbox="714 1042 1072 1152"> <p>VFM-related</p> <p>None noted</p> </td> <td data-bbox="1084 1042 1464 1152"> <p>Financial Reporting related</p> <p>None noted</p> </td> </tr> </table>		<p>Corporate Plan- related</p> <p>Key corporate plan objectives may not be achieved if mission critical services cannot be sustained.</p>		<p>VFM-related</p> <p>None noted</p>	<p>Financial Reporting related</p> <p>None noted</p>	<p>Scope of the Review</p> <p>To ensure controls are in place to enable the continued provision of mission-critical services to the Council's customers in the event of either a manmade or natural disaster.</p>
<p>Corporate Plan- related</p> <p>Key corporate plan objectives may not be achieved if mission critical services cannot be sustained.</p>							
<p>VFM-related</p> <p>None noted</p>	<p>Financial Reporting related</p> <p>None noted</p>						

Compliance Summary

Performance of Oxford City Council against Best Practice



Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of Business Continuity Planning, subject to the following limitations.

Internal control

Internal control, no matter how well designed and operated, can provide only **reasonable** and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgement in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

The assessment of controls relating to Business Continuity Planning is that historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors



It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We shall endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

Findings and recommendations

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Awareness and Education						
1	Staff may be unaware of BCP policies and procedures leading to failure of plans when implemented.	A formal BCP training plan has not been introduced for all officers and members.	● Medium	A formal BCP training program should be designed and rolled out to all Council employees. Periodic update training should be provided to ensure that officers and members are aware of current risks.	Agreed In part A formal training plan is unnecessary as every service area will have a business continuity plan in place but information will be added to the intranet.	Richard Gosling July 2010
2	The Authority's services may be disrupted if significant third party vendors become non operational due to an insufficient response to business emergencies.	Third party vendors are not required by the Authority to have validated/tested business continuity plans	● Medium	Third-party vendors (e.g. internet service providers, external data processing and significant contractors) should be required to have valid/tested business continuity plans. This may be considered as part of the Councils procurement process.	Agreed All those tendering for contracts >£100k are asked for Business Continuity Plans. Service areas have identified key suppliers and procurement maintains a file of their BCPs. Credit rating changes are also monitored	Jane Lubbock March 2010

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Business Impact Analysis						
3	Resources may not be directed to critical business processes.	At the time of our initial review, there were a limited number of business continuity plans not in place. As such we were unable to assess if the consequences of business 'emergencies' have been calculated in order to identify critical business processes.	 Medium	The Authority should ensure that all BCPs include an assessment of quantitative consequences of business emergencies in order to identify critical business processes. This will facilitate meaningful recovery priorities and allow effective allocation of resources. Criteria to determine these critical processes may include: <ul style="list-style-type: none"> • loss of revenue; • indirect losses(e.g. loss of revenue due to inability of customers to pay); and • statutory or regulatory fines and penalties 	Agreed All the main service area BCPs have been updated using the Council's BCP template. This includes the requirement to identify business critical activities.	Richard Gosling March 2010
4	Policies do not present a joined up approach to managing a crisis. The effect of emergencies on all service areas may not be appreciated.	The Authority has not identified internal and external process interdependencies for all critical business functions.	 Medium	A mapping document should be produced to define all business process interdependencies. This should be used to focus resources.	Agreed This will form part of the revised corporate BCP	Richard Gosling July 2010

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Information Technology						
5	Sufficient Business Continuity provisions may not be in place at the County Council therefore increasing the risk of data insecurity.	The Authority plans to outsource its IT function to Oxfordshire County Council during 2009/10. Limited consideration has been made regarding the Business Continuity arrangements in place at the County Council.	 Medium	The Council should seek clarification of the County's BCPs and data security policies. Roles and responsibilities should be clearly stipulated in a Service Level Agreement.	Agreed The issue is currently being negotiated/updated	David Oakes July 2010

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Recovery Strategies/Business Process						
6	Resource requirements are unknown leading to gaps in the provision of services in the event of a disaster	<p>At the time of our initial review, there were a limited number of business continuity plans not in place. We found that 6/12 business units have identified minimum resource requirements necessary to perform critical business processes</p> <p>Follow up</p> <p>BCP plans have now been put in place for all key service areas. Work is still required on drawing up plans for Policy, Corporate Secretariat and Procurement within the corporate plan.</p>	<p>● Low</p>	The Authority should ensure that all BCPs include minimum resource requirements necessary to perform critical business processes in a recovery environment (e.g. equipment, telecommunications, workspace, applications).	<p>Agreed</p> <p>All the main service area BCPs have been updated using the Council's BCP template. This includes the requirement to identify business critical activities. Others will follow shortly.</p>	<p>Richard Gosling</p> <p>March 2010</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
7	Strategies are inconsistent with recovery time objectives. Services may not be resumed on a timely basis following an emergency.	<p>At the time of our initial review, there were a limited number of business continuity plans not in place. As such we were unable to assess whether all business units have developed strategies that are consistent with the stated recovery time objectives</p> <p>Similarly we could not confirm that all business units have access to recovery facilities for the resumption of critical business processes within stated recovery time objectives</p> <p>Follow up</p> <p>BCP plans have now been put in place for all key service areas. Work is still required on drawing up plans for Policy, Corporate Secretariat and Procurement within the corporate plan.</p>	<p>●</p> <p>Low</p>	The Authority should ensure that all BCPs include recovery strategies that are consistent with stated recovery time objectives to enable access to operational facilities on a timely basis.	<p>Agreed</p> <p>All the main service area BCPs have been updated using the Council's BCP template. This includes the requirement to identify business critical activities.</p>	<p>Richard Gosling</p> <p>March 2010</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
8	Priority processes are non functional in the event of a disaster	<p>No consideration has been given to identifying gaps between IT recovery capabilities and business unit requirements.</p> <p>For instance it may be the case that a business unit has a critical business process that must be recovered within 24 hours (e.g. Benefits payments) and IT is unable to recover technology infrastructure until Day 3.</p> <p>Follow up</p> <p>BCP plans have now been put in place for all key service areas. Work is still required on drawing up plans for Policy, Corporate Secretariat and Procurement within the corporate plan.</p>	<p>●</p> <p>Low</p>	Business units should understand potential gaps and develop manual and/or interim processing procedures to ensure business objectives can be met.	<p>Agreed</p> <p>All the main service area BCPs have been updated</p>	<p>Richard Gosling</p> <p>March 2010</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
9	Vital records may be destroyed	<p>Whilst electronic records are backed up and stored off site, critical non electronic records have not been identified for storage.</p> <p>Follow up</p> <p>BCP plans have now been put in place for all key service areas and identify critical records. Work is required around including plans for Policy, Corporate Secretariat and Procurement within the corporate plan.</p>	<p>●</p> <p>Medium</p>	Vital records necessary to resume critical business processes should be identified and provisions made to store copies off-site.	<p>Agreed</p> <p>All the main service area BCPs have been updated</p>	<p>Richard Gosling</p> <p>March 2010</p>
10	Officers may be unaware of processes leading to an increased risk of delay in the event of an IT failure.	There is limited awareness of IT recovery processes	<p>●</p> <p>Medium</p>	Communications should be circulated to all officers detailing IT recovery processes. This should include the responsibilities of individual business units in the event of IT failure.	<p>Agreed</p> <p>To be summarised in the corporate BCP</p>	<p>Richard Gosling</p> <p>July 2010</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Plan Development and Documentation						
11	The BCP may be ineffective	BCP's are not independently verified on a periodic basis	● Low	The plan should be independently (e.g., Internal Audit, external auditors, or external consultants) reviewed on a periodic basis.	Agreed All plans to be exercised	Richard Gosling July 2010

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Plan Testing						
12	Business Continuity Plans may be unsuccessful in the event of enactment if they have not been previously tested	<p>Initial Finding</p> <p>Business Continuity Plans have not been tested</p> <p>Follow up</p> <p>At the date of follow up, testing was still outstanding in all areas with the exception of City Works. Detailed work has been performed in this area to review the plans in place.</p>	<p>●</p> <p>High</p>	<p>All BCP components should be tested periodically. This should include:</p> <ul style="list-style-type: none"> notification procedures and lines of communication; compatibility of alternate IT and workspace facilities (e.g., equipment, telecommunications); recovery of critical applications systems at alternate site(s); interim and manual processing procedures; and recovery of critical business processes. <p>Tests should involve the participation of both information technology and business process owners.</p> <p>Final reports evaluating test results should be distributed and discussed with senior management.</p>	<p>Agreed</p> <p>Three plans exercised to date with dates fixed for several more.</p>	<p>Richard Gosling</p> <p>July 2010</p>

Ref	Specific risk	Control weakness found	Risk rating	Recommendations	Management response	Officer responsible & implementation date
Pandemic Planning						
13	The Authority may have insufficient resources to continue operation.	<p>The Authority has a haphazard approach to managing the risks of medical pandemics. During our audit we noted the following:</p> <ul style="list-style-type: none"> • Departments that could be affected by a flu pandemic have not been systematically identified and rated in terms of risk • The monetary and qualitative impact (e.g. loss of service) of the worst case scenario has not been quantified and addressed • No contingency plans have been put in place to address the pandemic 	<p>● Medium</p>	<p>In the event of a pandemic such as the Swine Flu outbreak, the Authority should consider the impact that this may have on the existing BCPs and make any necessary amendments/additions in order to address the possible consequences.</p> <p>Contingency plans should be put in place if necessary, to address the possible foreseen effects of the pandemic to ensure that all risks are addressed.</p>	<p>Agreed</p> <p>BCPs are generic in nature to cover a range of potential issues including pandemic influenza. BCPs identify critical services. The corporate BCP summarises the situation across the council. In the event of a major outbreak or pandemic, we will consider the implications on existing BCP arrangements.</p> <p>An existing Corporate reporting system currently in place for the County Council will be investigated. This could potentially assist in the allocation of resources</p>	<p>Richard Gosling July 2010</p> <p>Richard Gosling September 2010</p>

Appendix 1 - Terms of Reference

Objectives and deliverables

Objectives

Controls are in place to enable the continued provision of mission-critical services to the Council's customers in the event of either a manmade or natural disaster.

Deliverables

Our deliverable will be a report detailing our findings with regard to our assessment of the level of control in place regarding business continuity and the level of assurance we can place on the control environment.

Our Scope and Approach

Scope and approach

Our work will focus on identifying the guidance, procedures and controls in place to mitigate key risks through:

- Documenting the underlying guidance, policy and processes in place and identifying key controls;
- Considering whether the policies and procedures in place are fit for purpose; and
- Testing key controls.

The key points that we will focus on are:

- A Business Continuity awareness plan has been developed and implemented;
- A formal Business Continuity Programme is in place and communicated to officers;
- All possible disasters (both man made and natural) have been identified and addressed. Plans should be updated to reflect current circumstances (e.g. Pandemics);
- The effect of disasters on all key services has been addressed;
- Roles and responsibilities in relation to Business Continuity are clearly defined;
- Business Continuity is integrated into the risk management structure of the Council;
- A Business Impact Analysis is in place and updated on a periodic basis;
- Recovery Strategies are in place to enable the resumption of critical business support;
- Testing is performed on plans to ensure effectiveness of response.

We will discuss our findings with the Corporate Secretariat Manager or nominated representative to develop recommendations and action plans. A draft report will be issued to all relevant officers for review and to document management responses.

Limitation of Scope

The scope of our work will be limited to those areas identified in the terms of reference.

Stakeholders and responsibilities

Role	Contacts	Responsibilities
Corporate Secretariat Manager	Mike Newman	Review draft terms of reference Review and meet to discuss issues arising and develop management responses and action plan Review draft report. Implement agreed recommendations and ensure ongoing compliance.
Strategic Director – City Services	Tim Sadler	Receive agreed terms of reference Receive draft and final reports.
Chief Executive	Peter Sloman	Receive final report

Our Team and Timetables

Our team

Chief Internal Auditor	Chris Dickens
Audit Manager	Katherine Bennett
Auditor	Charlotte Kennedy

Timetable

Steps	Date
TOR approval	August 2009
Fieldwork commencement	17 th August 2009 (T)
Fieldwork completed	T + 7 days
Draft report of findings issued	T + 3 weeks
Receipt of Management response	T + 5 weeks
Final report of findings issued	T + 6 weeks

Budget

Our budget for this assignment is 5 days. If the number of days required to perform this review increases above the number of days budgeted, we will bring this to management attention.

Terms of Reference Approval

These Terms of Reference have been reviewed and approved:

.....

Mike Newman
Signature (Corporate Secretariat Manager)

.....

Chris Dickens
Signature (Chief Internal Auditor)

Appendix 2 - Assurance ratings

Level of assurance	Description
High	<p>No control weaknesses were identified; or</p> <p>Our work found some low impact control weaknesses which, if addressed would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.</p>
Moderate	<p>There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than significant or they are unlikely to occur.</p>
Limited	<p>There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of organisational objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.</p>
No	<p>There are weaknesses in the design and/or operation of controls which [in aggregate] could have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of organisation objectives.</p>



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