

1e. Explanation of key issues identified in our work

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| IS Maintenance | | | 05/03/2015 |
| Number of Findings | | | Chief Information Officer |
| Major | Moderate | Minor | |
| 0 | 3 | 1 | |
| <p>The Business Technology Solutions (BTS) Division needs to improve its understanding of costs to maintain systems and its understanding of how compliant the IS estate is with IS maintenance policies. For the avoidance of doubt, 'maintenance' in the context of this Internal Audit Report is the remediation of End-Of-Life (EOL) hardware and software on our IT estate; reducing service risk and ensuring supportability. It is applied against IT Hardware Refresh and Software Upgrade Policies that set out the term which our IT estate should be refreshed according to the technology used and its use by the business. It is not the operate and support (run) of IT systems, which was not considered in the scope of this review.</p> <p>Currently, BTS is not clear on exactly how much is spent annually on IS maintenance either for individual systems or in total and is not able to forecast this cost effectively for future years. We raised a Moderate finding to address this. We also raised a Moderate finding as there is no 'single source of truth' of the compliance of the IS estate against IS maintenance policies: the data held by the Chief Technology Office team on compliance is different to that in the tool used currently for monitoring compliance, SPEAR. SPEAR is also updated by data sources that are often contradictory. In addition we noted that the IS Maintenance policies against which compliance is measured are out of date, so may no longer reflect the risk appetite of BTS. We raised a minor finding to remediate this.</p> <p>Further, The CTO Team, with the support of ExCo, took the decision to build road maps for 'critical' IS systems in 2012. While this initiative demonstrates good practice, there is no formal process to track progress in producing the road maps. Although some of the delays in producing the road maps have been as a result of competing priorities for the CTO Team, if the road mapping exercise had a delivery plan with clear delivery dates and accountable owners for each road map, then progress may have been quicker. We have raised a moderate finding to address this.</p> | | | |

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| <i>The operation and effectiveness of the FCA’s pillar 1 supervision of C1 and C2 firms</i> | | | <i>02/03/2015</i> |
| Number of Findings | | | <i>Director of Supervision</i> |
| Major | Moderate | Minor | |
| 0 | 2 | 3 | |
| Good progress had been made by the Supervision Division to embed the FCA’s supervision model. However significant improvements are required to ensure that pillar 1 supervision is effective with respect to the supervision of the largest C1 firms which conduct a broad range of financial services activities. In particular, two Moderate findings were raised in respect of the following: | | | |

- supervisors of large, complex groups in the Retail Banking sub-division did not have sufficient access to specialist wholesale support required to effectively supervise the wholesale activities of the group. It is unclear whether wholesale specialist teams will have the capacity to provide this support in addition to their other responsibilities.
- the Firm Evaluation (FE) process does not facilitate effective challenge of the supervision strategy adopted across all major business activities of the largest diverse groups to ensure that the supervisory strategy for these activities is appropriate.

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| <i>The publishing process for the PRA online Handbook</i> | | | <i>21/11/2014</i> |
| <i>Number of Findings</i> | | | <i>Director of Communications</i> |
| <i>Major</i> | <i>Moderate</i> | <i>Minor</i> | |
| <i>0</i> | <i>2</i> | <i>1</i> | |
| <p>The Internal Audit Division was asked to review the publishing process for the PRA online Handbook following an incident in July 2014 where a PRA Handbook instrument on remuneration was published online before the date it was due to be published.</p> <p>Under the April 2013 Provision of Services Agreement (PSA) between the FCA and the Bank of England, the FCA has certain obligations to the PRA to deliver services in respect of the PRA Handbook until 31 July 2015. The Handbook team in the Communications and International Division is responsible for maintaining and updating the PRA Handbook in accordance with the PSA, and managing the third party supplier which the FCA contracts to publish instruments online.</p> <p>Since the incident, management of the Handbook team has taken prompt action to improve controls over the PRA online Handbook publishing process, including clarifying the instructions it provides to the third party supplier.</p> <p>However, further improvements are needed to address the risks associated with the FCA's delivery of its obligations under the PSA. Moderate findings were raised in relation to:</p> <ul style="list-style-type: none">• The need for improvements to the operational controls performed by the FCA's Handbook team including clearly documented and assigned roles and responsibilities, and security checks over access to the central mailbox.• The need for improvements in the contract management of the third party supplier including ensuring the supplier's monthly performance reports measure all relevant service levels, and providing clarification over certain aspects of the contract in writing to the supplier. | | | |

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| Health & Safety and Wellbeing | | | 05/03/2015 |
| Number of Findings | | | HoD of Operations Services |
| Major | Moderate | Minor | |
| 0 | 0 | 3 | |
| <p>The FCA adheres to the <i>Health and Safety at Work Act</i> as the primary piece of legislation governing Health & Safety (H&S) in the workplace. This is underpinned by a commitment for continuous improvement in H&S performance. However, there are areas for potential improvements regarding the governance of H&S, including areas where risk management, definition of objectives and the construction of the annual audit plan could be improved, and where an overarching and streamlined Wellbeing strategy needs to be developed. Two Minor findings were raised in relation to the above.</p> <p>While there is a strong contractor engagement initiative, led by the H&S function, which focuses on identifying hazards and near misses across the organisation through the hazard reporting initiative, the contractor due diligence process requires improvement and there is a lack of clarity over the definition of H&S responsibilities for contractor management. A Minor finding was raised in relation to this.</p> | | | |