



South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 21st September 2016



Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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Contents

Page

Summary	3
Audit Coverage	4
Plan Changes	7
Audit Performance	8
Audit Performance	10
Recommendation Tracking	11



Providing Excellent Audit Services in the Public Sector

South Derbyshire District Council – Internal Audit Progress Report

Summary

Role of Internal Audit

The Internal Audit Service for South Derbyshire District Council is provided by the Central Midlands Audit Partnership (CMAP). The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the Public Sector Internal Audit Standards – PSIAS). CMAP also adheres to the Internal Audit Charter.

The role of internal audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Recommendation Ranking

To help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was to occur. From that risk assessment each recommendation has been given one of the following ratings:

- Critical risk.
- Significant risk.
- Moderate risk
- Low risk.

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine.

Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit Sub-Committee together with the management responses as part of Internal Audit's reports to Committee on progress made against the Audit Plan. All audit reviews will contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. This will be graded as either:

- **None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Comprehensive** - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

This report rating will be determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. Any audits that receive a None or Limited assurance assessment will be highlighted to the Audit Sub-Committee in Audit's progress reports.

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 31st August 2016.

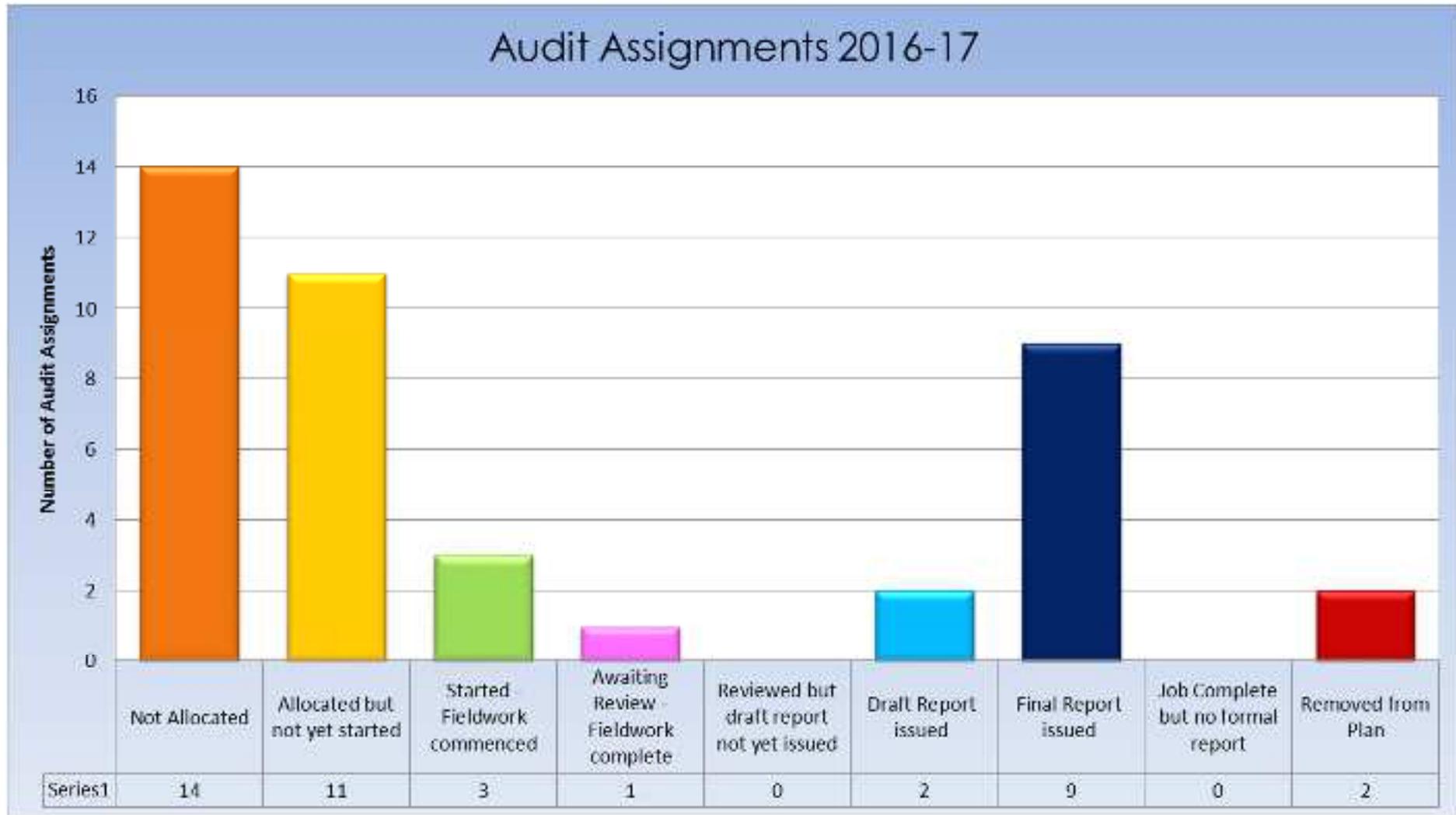
Audit Plan Assignments	Type of Audit	Current Status	% Complete
Banking Services	Systems/Risk Audit	Allocated	0%
Council Tax 2016-17	Key Financial System	Allocated	10%
NDR 2016-17	Key Financial System	Allocated	0%
Housing Benefit & Council Tax Support 2016-17	Key Financial System	Allocated	5%
Records Management	Governance Review	Allocated	5%
Data Quality & Performance Management	Governance Review	Allocated	10%
Safeguarding	Governance Review	Allocated	0%
Land Charges	Systems/Risk Audit	Allocated	10%
Cleaning Services	Systems/Risk Audit	Final Report	100%
Allocations & Homelessness	Systems/Risk Audit	Fieldwork Complete	80%
Gypsy Sites	Systems/Risk Audit	Allocated	5%
Pest Control	Systems/Risk Audit	Final Report	100%
Empty Homes HCA Grant 2016-17	Grant Certification	Allocated	0%
Main Accounting System (MTEP) 2015-16	Key Financial System	Draft Report	95%
Change & Configuration Management	IT Audit	In Progress	75%
Client Monitoring - Corporate Services Contract	Procurement/Contract Audit	Allocated	30%
Petty Cash & Inventories	Systems/Risk Audit	Draft Report	95%
Fixed Assets 2015-16	Key Financial System	In Progress	70%
Members' Allowances	Systems/Risk Audit	Final Report	100%
Whistleblowing Investigation	Investigation	In Progress	75%

Another 13 planned assignments (not shown above) have not been allocated yet. Another 6 finalised assignments (not shown above) have already been reported to this Committee.

South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments Chart



South Derbyshire District Council – Internal Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st June 2016 and 31st August 2016, the following audit assignments have been finalised since the last Progress Report was presented to this Committee (the overall control assurance rating is shown in brackets):

- Members Allowances 2015-16 (**Comprehensive**).
- Pest Control (**Comprehensive**).
- Cleaning Services (**Comprehensive**).

No audits attracted a 'Limited' control assurance rating during the period and as such it is not necessary to bring any particular assignment to the Sub-Committee's attention.

The following paragraphs summarise the internal audit work completed in the period.

Members Allowances 2015-16

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the operation of the Members Allowance Scheme and related payments to members.

From the 10 key controls evaluated in this audit review, 8 were considered to provide adequate control and 2 contained weaknesses. The report contained 2 recommendations, both of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- An element of the basic members allowance was paid as non-taxable, but the Payroll Manager and Head of Organisational Development could not confirm whether this was correct. (**Low Risk**)

- There was no requirement for members to provide receipts when making travel and subsistence claims. Additionally, we noted that some Members regularly made late claims. (**Low Risk**)

Both of the control issues raised within this report were accepted and positive action had already been implemented for one. For the other issue, action was agreed to be undertaken by 30th September 2016.

Pest Control

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the process for the treatment of pests at premises; how these appointments were booked, managed, paid for and recorded. The audit also considered legislative enforcement action, linked to pests, that was undertaken by the Council.

From the 36 key controls evaluated in this audit review, 29 were considered to provide adequate control and 7 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. Another 4 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- There were no checks to ensure that the Pest Control Officer held a valid driving license. (**Low Risk**)
- It was not possible to confirm that customers had been charged for the Pest Control services in two instances in the sample. (**Low Risk**)
- Four out of 20 cases in the sample did not have complete records within the Civica system, despite the issues having been resolved. (**Low Risk**)

South Derbyshire District Council – Internal Audit Progress Report

All 3 of the issues raised within this report were accepted. Management agreed to take actions to address 2 of the issues by October 2016 and the remaining issues by April 2017.

Cleaning Services

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the controls in place around the schedule of cleaning, policies and procedures, training, stock control and re-ordering, financial management and health & safety.

From the 22 key controls evaluated in this audit review, 19 were considered to provide adequate control and 3 contained weaknesses. The report contained 1 recommendation, which was considered a low risk. Another 3 minor risk issues were highlighted for management's consideration. The following issue was considered to be the key control weakness:

- Cleaning supplies held at the Depot and the Community Rooms was not securely stored to avoid items being misappropriated or available to other staff and members of the public. (Low Risk)

The issue raised within this report was accepted. Management took action to address the issue with immediate effect.

Plan Changes

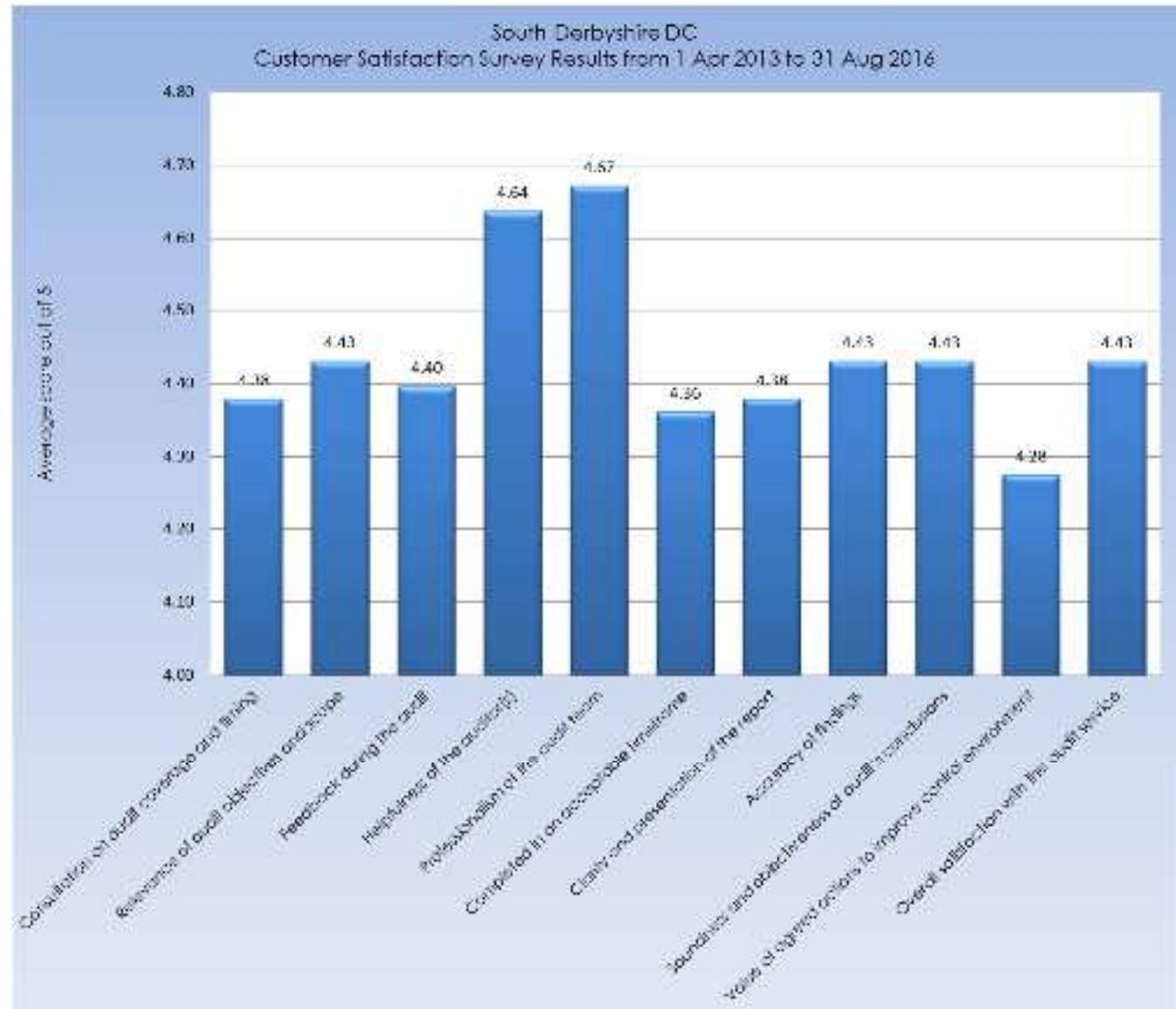
During the period it has been necessary to make some alterations to this year's Audit Plan. This is due to the ongoing assistance being provided to support the Council's Whistleblowing Investigation. As such it has now been necessary for to remove the Housing Repairs (Planned & Responsive Maintenance) Service Contracts and Procurement planned audits from this year's Plan to accommodate the time already spent dealing with the Whistleblowing issue.

South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 58 responses received between 1st April 2013 and 31st August 2016. The overall average score from the surveys was 48.8 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 7 occasions.



South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

Since 1st April 2013, we have sent 91 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 91 sent we have received 58 responses.

31 Customer Satisfaction Surveys have not been returned which have already been reported to this Committee and relate to assignments undertaken in previous plan years. Responses to these surveys will no longer be pursued as responses are unlikely to be reliable after this length of time.

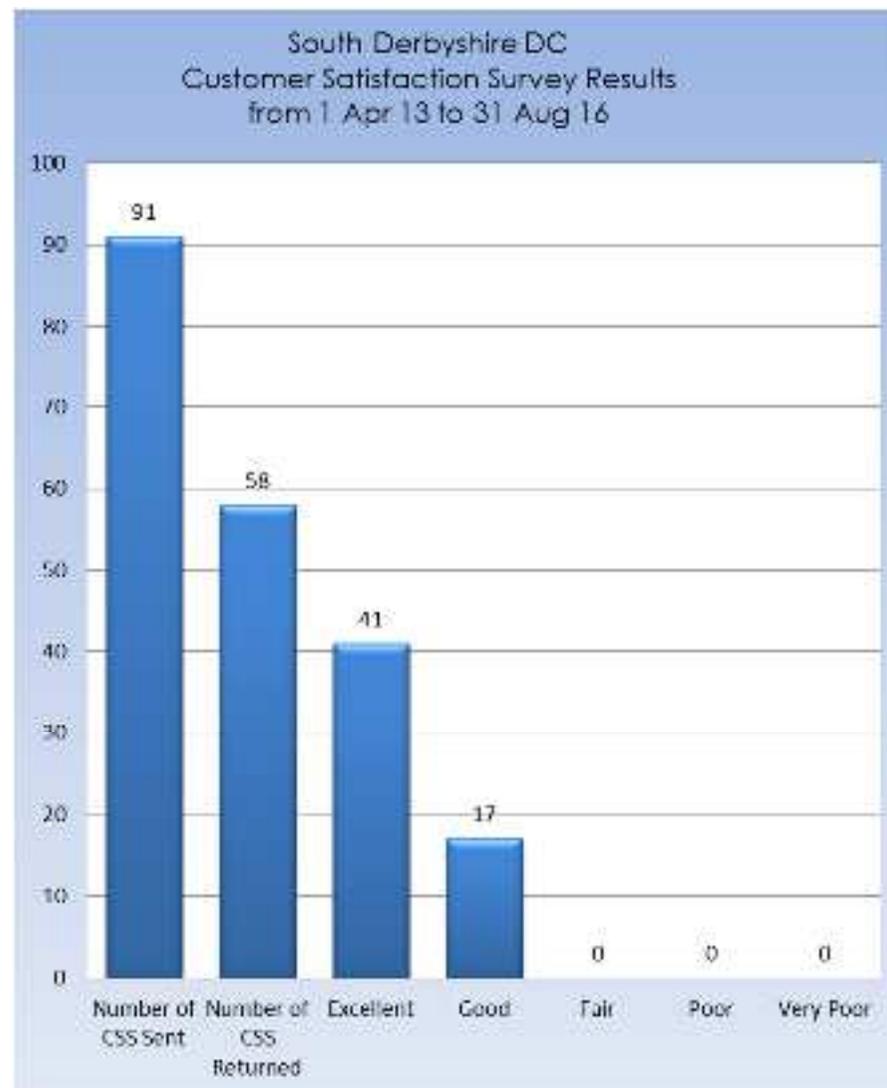
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Corporate Governance	27-May-16	Legal and Democratic Services Manager & Monitoring Officer
Cleaning Services	23-Aug-16	Housing Asset Manager

The overall responses are graded as either:

- Excellent (scores 47 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

Overall 41 of 58 responses categorised the audit service they received as excellent, another 17 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



South Derbyshire District Council – Internal Audit Progress Report

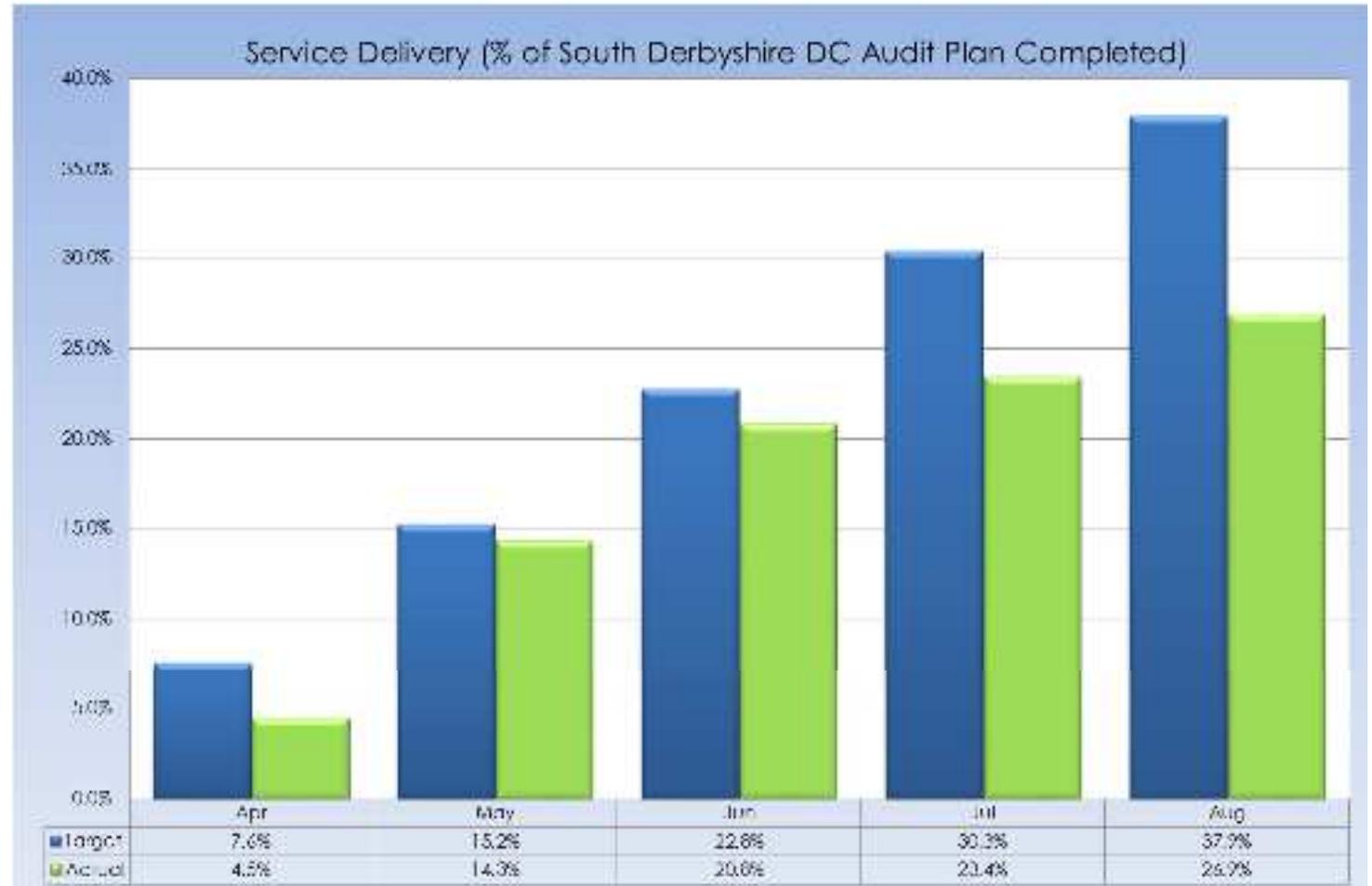
Audit Performance

Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown across is the estimated percentage complete for South Derbyshire's 2016-17 Audit Plan (including incomplete jobs brought forward) after 5 months of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Follow-up Process

Internal Audit sends emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We request an update on each recommendation's implementation status, which is fed back into the database, along with any revised implementation dates.

Prior to the Audit Sub-Committee meeting we will provide the relevant Senior Managers with details of each of the recommendations made to their divisions which have yet to be implemented. This is intended to give them an opportunity to provide Audit with an update position.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **Action Due** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Future Action** = Action is not due yet, so Audit has not followed up.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.

- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date).

Implementation Status Details

The table below is intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations that have passed their agreed implementation dates.

	Implemented	Being implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	430	16	13	6	0	22	487
Moderate Risk	91	6	1	4	1	3	106
Significant Risk	7	0	0	0	0	0	7
Critical Risk	0	0	0	0	0	0	0
	528	22	14	10	1	25	600

The table below shows those recommendations not yet implemented by Dept.

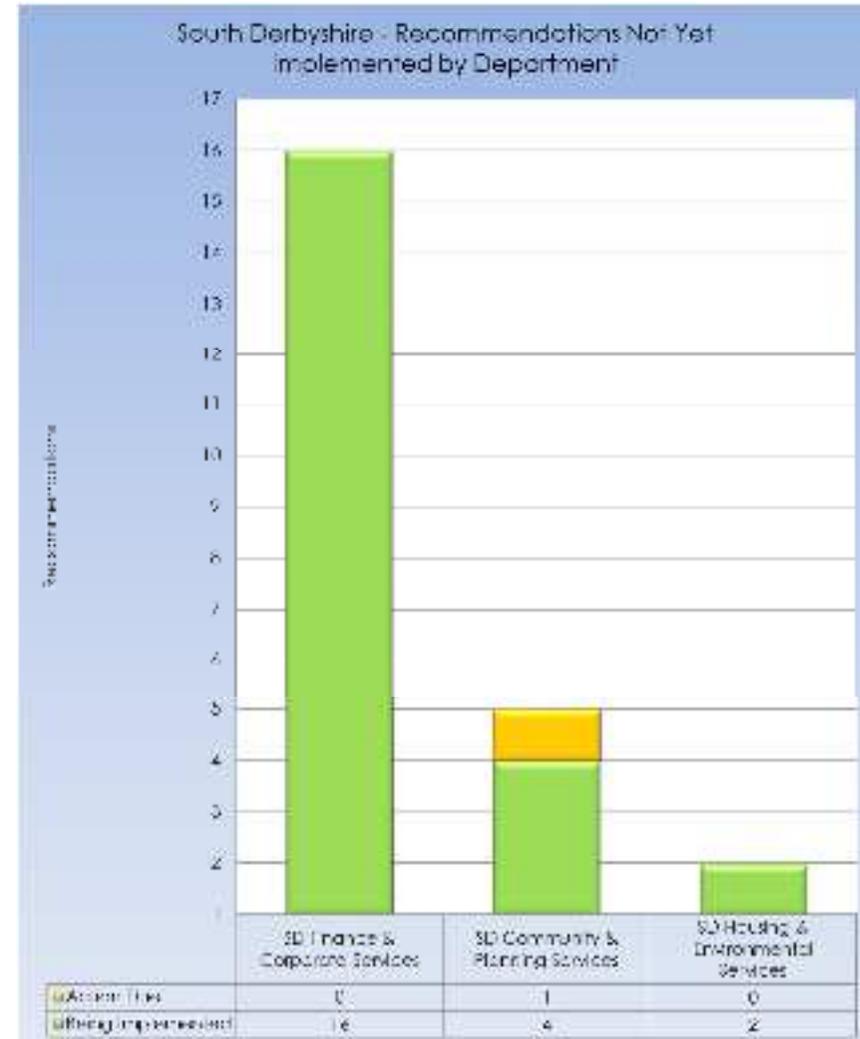
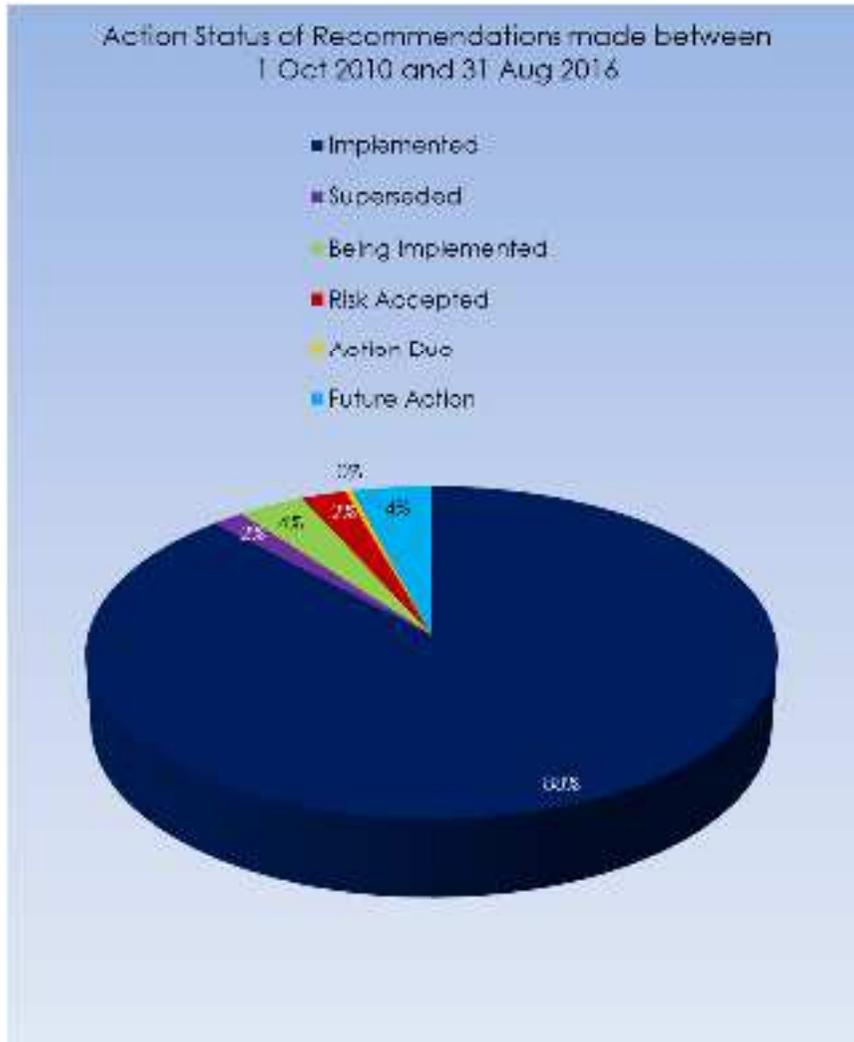
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being Implemented	16	4	2	22
Action Due	0	1	0	1
	16	5	2	23

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. As stated earlier in this report, we will now only provide full details of each moderate, significant or critical risk issue where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). All the risk accepted issues shown above have already been reported to this Committee.

South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts



South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Recommendations Not Yet Implemented

At a previous meeting we agreed that we would no longer bring every outstanding recommendation in detail to this Committee. Instead we have sought to highlight those which we believe deserve Committee's attention, either through the level of risk associated with the control issue or the length of the delay in implementing agreed actions or our inability to obtain satisfactory progress information from Management. Accordingly, the following are detailed for Committee's scrutiny:

Corporate Services

Car Allowances

Control Issue 4 - A neighbouring Authority has revised its car user allowance scheme and introduced a new scheme which has removed the essential user lump sum and pays one mileage rate to both types of user. This will enable the Authority to make significant savings in future years.

Risk Rating – Low Risk

Status Update - This will be considered as part of the pay and grading review in 2016/17.

Original Action Date 30 Jun 11 **Revised Action Date** 1 Apr 17

Council Tax / NNDR / Cashiering 2013-14

Control Issue 3 – The error reports and zero liability bills highlighted by the Council Tax billing runs had not been corrected.

Risk Rating – Low Risk

Status Update –The exercise is being treated as data cleansing from the implementation of Academy, and will be a task allocated to apprentices. Staff shortages led to this being returned to a low priority status, to revisit in summer once annual billing and year end are out of the way. Continued lack of resource has impacted on progress.

Original Action Date 31 Dec 14 **Revised Action Date** 31 Oct 16

Risk Management

Control Issue 4 – Although the FIU Annual Report acted as a Fraud Plan and an Internal Audit Plan was developed on an annual basis, there was not a clear link between the two, and officers working in the Fraud Investigation Unit indicated that there was opportunity for clo.

Risk Rating – Low Risk

Status Update – Over the last few months, the Council's service delivery model for detecting and preventing fraud has been changing quite fundamentally since the transfer of the previous fraud officer to the DWP. The Council is currently developing a partnership with other Derbyshire Districts regarding a new system which has recently been implemented. This is being used to target areas of corporate fraud across the County. In addition, the Council has agreed in principle to buy-in its fraud service from Derby City Council in the future. There has been some positive dialogue and a way forward set out. Derby is currently recruiting to new posts and when this has been completed, an SLA will be drawn up and resources allocated to SDDC. In the meantime, there is no formal Fraud Plan that links to Internal Audit but in principle this should still be developed. It is considered that this not a weakness as such, but clearly linking fraud and audit would strengthen service delivery and possibly lead to some efficiencies. This should still be reviewed when the new fraud service is implemented.

Original Action Date 31 Dec 15 **Revised Action Date** 31 Oct 16

South Derbyshire District Council – Internal Audit Progress Report

Data Protection & Freedom of Information

Control Issue 6 – There were no formal review and verification procedures in operation for ensuring that access to directories on the Council's file servers was restricted to authorised users only. This can lead to inappropriate access provision to personal or sensitive data leading to privacy violations.

Risk Rating – Low Risk

Status Update – The relevant information assets have been identified and most owners have now been identified and housekeeping of files has taken place to strengthen capacity and storage. A couple of service units are still working through the procedure. When this has been completed, IT will complete the review of files and change the file structure. A final data base of information assets and owners will be held centrally by the IT Helpdesk to ensure that updates to information are properly controlled and authorised.

Original Action Date 26 Feb 16 **Revised Action Date** 31 Oct 16

Business Continuity

Control Issue 11 – The Business Impact Assessment had received no recent formal update. There was no documentation to support any updates in recent years.

Risk Rating – Moderate Risk

Status Update This has effectively been fully actioned now, subject to sign-off by the Resilience Liaison Group in November.

Original Action Date 30 Sep 15 **Revised Action Date** 30 Nov 16

Council Tax / NNDR / Cashiering 2015-16

Control Issue 2 – Recovery of Council Tax debt was being hindered as data on Council Tax accounts were not being cleansed, to maintain relevance and accuracy. It was not immediately obvious which debts were longstanding irrecoverable debts on indefinite hold (which could be written off) and which were current debts on hold that needed to be progressed..

Risk Rating – Moderate Risk

Status Update – The review of outstanding debts and cleansing of records is a large-scale job which requires resource allocation – a revised action-by date has been agreed for the end of March 2017 and will be included going forward as an end-of-year task.

Original Action Date 30 Jun 16 **Revised Action Date** 31 Mar 17

Control Issue 6 – Permanent recovery holds were in place on accounts for precepting bodies which prevented simple reminders being issued when a debt remained unpaid. As recovery action was not taking place, the accounts should have been subject to review and any unpaid amounts pursued.

Risk Rating – Moderate Risk

Status Update – Initial discussions have commenced in the best way to carry out a yearly review of internal and precepting bodies accounts. This needs to be a cost effective work process dealing with the accounts in bulk not individually.

Original Action Date 1 Aug 16 **Revised Action Date** 31 Mar 17

South Derbyshire District Council – Internal Audit Progress Report

CRM Security Assessment

Control Issue 1 – The CRM databases were housed on a SQL Server 2005 SP2 system. Support for SQL Server 2005 SP2 ended in 2007. Unsupported database software is exposed to newly discovered security vulnerabilities or functionality bugs, which could be exploited to jeopardise the confidentiality, availability and integrity of the CRM user data.

Risk Rating – Low Risk

Status Update – Currently testing the new CRM upgrade. Remaining effort before go-live is 10 days of IT testing. In addition the customer services team are also testing, and so are the Depot team. Go-live estimate October / November 2016.

Original Action Date 30 Apr 15 **Revised Action Date** 30 Nov 16

Control Issue 3 – There were a number of configurations and maintenance issues exposing the SQL Server to serious performance and reliability issues. This could ultimately impact on the performance and availability of the Councils CRM application which would affect service delivery.

Risk Rating – Moderate Risk

Status Update Currently testing the new CRM upgrade. Remaining effort before go-live is 10 days of IT testing. In addition the customer services team are also testing, and so are the Depot team. Go-live estimate: October / November 2016.

Original Action Date 31 Aug 15 **Revised Action Date** 30 Nov 16

Data Quality & Performance Management 2014-15

Control Issue 6 – There was no documented methodology for producing the Speed of Planning Applications performance figures.

Risk Rating – Low Risk

Status Update – The Planning Section were originally waiting for Northgate PS to supply the necessary software required for a system update before they recorded the required process. Northgate have now provided the upgrade (in a fashion) to accommodate the statutory requirements. This

only occurred within the last few months and we have still been working out how our processes work around these updates. A new member is due to staff start and as part of her training this will be one of the first processes documented. A documented methodology should be available around early to mid-October 2017.

Original Action Date 1 Jul 15 **Revised Action Date** 17 Oct 16

Housing & Environmental Services

Vehicles, Plant & Equipment

Control Issue 3 – There was not an adequate information management system in place that provided up-to-date and accurate vehicle, plant and equipment data. The management information system in use was essentially the inventory record that audit testing revealed had not been appropriately updated.

Risk Rating – Moderate Risk

Status Update – The spreadsheet has been significantly improved but the view is to acquire a tracking system with fleet management functionality, revised target date to end of March. Due to changing priorities, workload and staffing issues a new action date has been agreed with the Director of Housing and Environmental Services. The new plan is for a draft strategy to be completed by 1st July 2015, to be taken to Committee on 12th August 2015. Due to start procurement once strategy approved (Dec 2015), this will be one of the tasks for the temporary transport project manager.

Original Action Date 30 Nov 14 **Revised Action Date** 16 Dec 16

South Derbyshire District Council – Internal Audit Progress Report

Community & Planning Services

Bereavement Services

Control Issue 2 – The Council's website did offer the option of extending the exclusive rights of burial for a further 25 years at the end of a 50 year term, but it was not clear as to what the procedure or cost would be should the request be made.

Risk Rating – Low Risk

Status Update – A policy decision from members would be required as to a charge being set as not one currently listed in the Fees & Charges structure. We will include a charge in this year's budget setting, web site has been updated and policy and charges will be updated once formalised. Seeking advice on policies and pricing through APSE. Once feedback/advice has been received a new policy will be written on the extension of Grants. Hopefully this will ready Sept/Oct to be included within the fee setting programme for 2017/18.

Original Action Date 31 Mar 15 **Revised Action Date** 1 Dec 16

Planning & Building Control Fees

Control Issue 3 – Income received via the planning portal was not readily identifiable within the Council's Financial Information system.

Risk Rating – Low Risk

Status Update – NGPS call logged but no suitable / practical solution provided.

Original Action Date 31 Jul 15 **Revised Action Date** 31 Dec 16

Rosliston Forestry Centre

Control Issue 2 – There was no action plan in place to facilitate officers with the ending of the current management arrangements at Rosliston Forestry Centre and to have the new management arrangements in place by the required date.

Risk Rating – Moderate Risk

Status Update – Joint funded project officer to be employed to progress options appraisal and procurement. Post currently being advertised.

Original Action Date 30 Jun 16 **Revised Action Date** 31 Oct 16

Control Issue 5 – There was not a maintenance plan in place for Rosliston Forestry Centre. Historic inspections and Condition Surveys flagged multiple issues at the site over a number of years, but these were not addressed due to financial restrictions.

Risk Rating – Moderate Risk

Status Update – No Response Received.

Original Action Date 31 Aug 16 **Revised Action Date**

Economic Development

Control Issue 1 – The Economic Development Strategy was out-of-date and required refreshing.

Risk Rating – Low Risk

Status Update – Work has continued on the strategy but it is not complete and has been rolled over into 2016/17 and now appears as a project in the new Corporate Plan. Consultation work was completed during the Autumn/Winter, including events with businesses (on 29 Sept).

Original Action Date 31 Dec 15 **Revised Action Date** 31 Oct 16