central midlands audit partnership

South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 17th June 2015

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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central midlands audit partnership

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.

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Audit Coverage

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 31st May 2015.
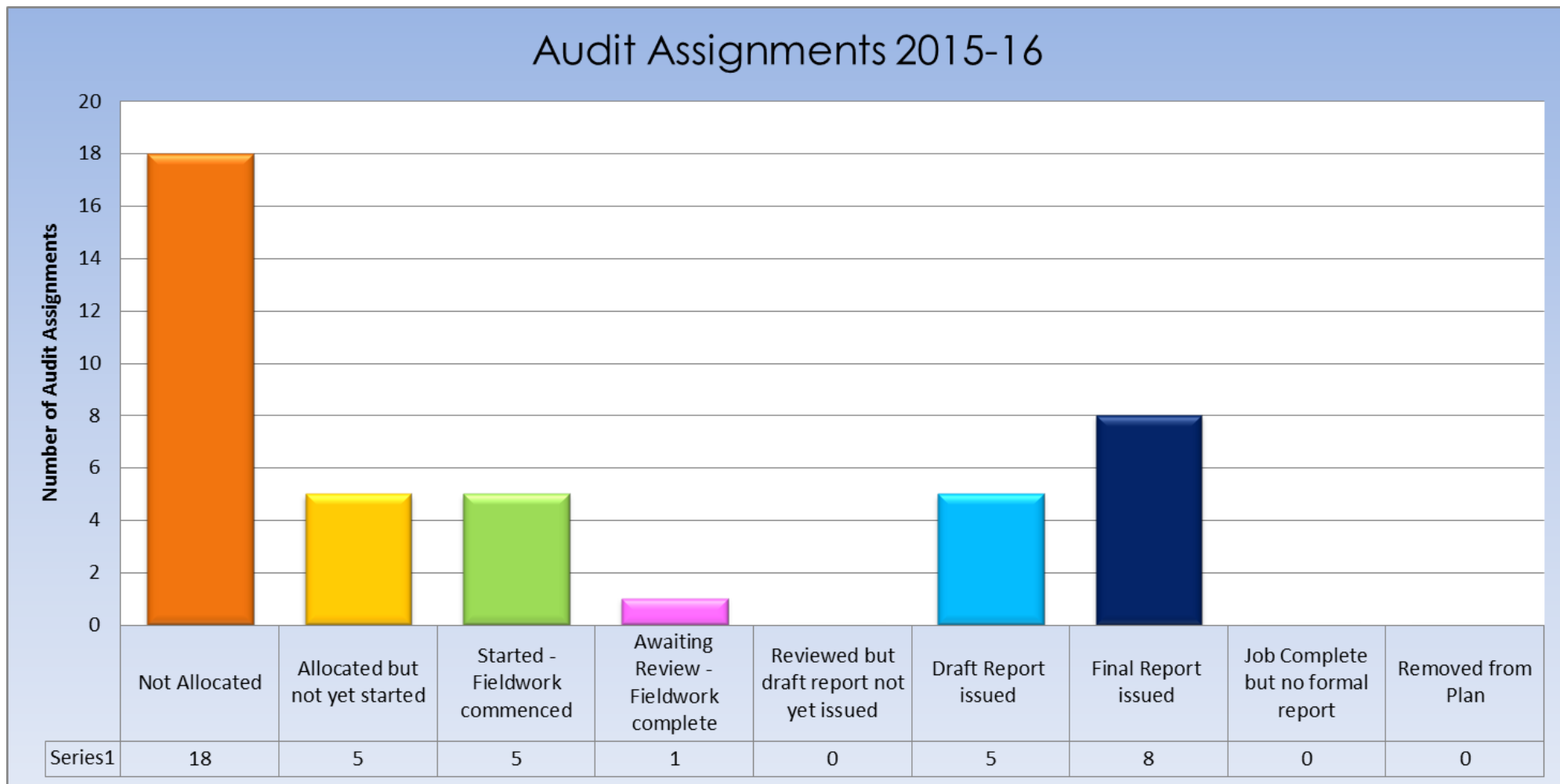
Audit Plan Assignments	Type of Audit	Current Status	% Complete
Payroll / Officers Expenses & Allowances 2015-16	Key Financial System	Allocated	0%
Change & Configuration Management	IT Audit	In Progress	50%
Corporate Governance	Governance Review	Allocated	5%
Declarations of Interest	Governance Review	In Progress	20%
Data Quality & Performance Management 2015-16	Governance Review	Allocated	5%
Commercial Rents	Systems/Risk Audit	In Progress	20%
Rechargeable Repairs	Systems/Risk Audit	In Progress	70%
Sheltered Housing	Systems/Risk Audit	Allocated	0%
Grounds Maintenance	Systems/Risk Audit	Allocated	5%
Main Accounting System 2014-15	Key Financial System	Final Report	100%
Insurance 2014-15	Key Financial System	Draft Report	95%
Council Tax / NNDR / Cashiering 2014-15	Key Financial System	Final Report	100%
Housing & Council Tax Benefit 2014-15	Key Financial System	Final Report	100%
Payroll / Officers Expenses & Allowances 2014-15	Key Financial System	In Progress	55%
Civica Security Assessment	IT Audit	Final Report	100%
Capacity Management	IT Audit	Draft Report	95%
Risk Management 2014-15	Governance Review	Final Report	100%
Data Quality & Performance Management 2014-15	Governance Review	Final Report	100%
Fixed Assets 2014-15	Key Financial System	Final Report	100%
Electoral Services	Systems/Risk Audit	Draft Report	95%
Economic Development	Systems/Risk Audit	Final Report	100%
Planning & Building Control Fees	Systems/Risk Audit	Draft Report	95%
Waste Management (Collection, Trade, Recycling)	Systems/Risk Audit	Draft Report	95%
Data Protection & Freedom of Information	Governance Review	Awaiting Review	80%

Another 18 planned assignments (not shown above) have not been allocated yet.

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Progress on Audit Assignments Chart

Audit Assignments 2015-16

	Not Allocated	Allocated but not yet started	Started - Fieldwork commenced	Awaiting Review - Fieldwork complete	Reviewed but draft report not yet issued	Draft Report issued	Final Report issued	Job Complete but no formal report	Removed from Plan
Series1	18	5	5	1	0	5	8	0	0

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Audit Coverage

Completed Audit Assignments

Between 1st February 2015 and 31st May 2015, the following audit assignments have been finalised since the last Progress Report was presented to this Committee:

- Creditors / Debtors 2013-14.
- Pollution Control.
- Procurement - Transparency Code.
- Creditors / Debtors 2014-15.
- Business Continuity.
- Housing & Council Tax Benefit 2014-15.
- Economic Development.
- Main Accounting System 2014-15.
- Council Tax / NNDR / Cashiering 2014-15.
- Civica Security Assessment.
- Risk Management2014-15.
- Data Quality & Performance Management 2014-15.
- Fixed Assets 2014-15.

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

Creditors / Debtors 2013-14

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the controls in operation in respect of the payment of creditors and the recovery action for sundry debts.

From the 36 key controls evaluated in this audit review, 34 were considered to provide adequate control and 2 contained weaknesses. The report contained 1 recommendation, which was considered a low risk. The following issue was considered to be the key control weakness:

- As the Sundry Debtor Credit Control policy and procedure wasn't dated or subject to version control, we could not determine whether it had been subject to annual review. Also, we were unable to determine whether the minimum amount on which court action is taken and the minimum invoice amount had been subject to annual review. (Low Risk)

The control issue raised within this report was accepted and positive action was agreed to be taken by 1st April 2015.

Pollution Control

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the procedures relating to the issue of pollution control permits and the site inspection programme.

From the 13 key controls evaluated in this audit review, 7 were considered to provide adequate control and 6 contained weaknesses. The report contained 6 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The register of permits was showing conflicting information about the number of permits in operation. (Low Risk)
- Permit applications were being processed without confirmation that the relevant charges had been paid, contrary to procedural guidance notes. (Low Risk)
- The list produced by the EPO had not been updated to reflect the latest position, and the invoices raised in respect of the permit renewals was not being compared and details agreed to those noted on the list. This had resulted in a number of invoicing errors. (Low Risk)
- Permit renewals were being issued without checking whether payment had been received. (Low Risk)

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- Two permit holders had not received credits that they were due and credit note requests were not always made against the original invoice. (Low Risk)
- The inspection schedule did not include sufficient information to easily determine if inspections were being made at the correct intervals. (Low Risk)

All 6 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 3 by 31st March 2015 and the remaining 3 by 30th April 2015.

Procurement - Transparency Code

Overall Control Assurance Rating: **Reasonable**

This audit focused on the systems in place for publishing the required transparency data under the Local Government Transparency Code 2014, to provide assurance that the systems were operating effectively and providing an acceptable level of control.

From the 10 key controls evaluated in this audit review, 2 were considered to provide adequate control and 8 contained weaknesses. The report contained 5 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- There was no consistency with respect to the information being published for spending over £250 and/or on Government Procurement cards. (Low Risk)
- The Council was not publishing the required data for the contracts where invitations to tender had been invited in the previous quarter, as required by the Local Government Transparency Code 2014. (Low Risk)
- Contracts and other legally enforceable agreements valued at between £5,000 and £25,000 were not being routinely published in line the requirements of the Local Government Transparency Code 2014. (Low Risk)

- The contractual information required by the Code was not being published for contracts and other legally enforceable agreements in line with the data publishing requirements. (Low Risk)
- Transparency data for spending over £250 and on Government Procurement cards had not been published within the required timescales for reporting. (Low Risk)
- Transparency data for invitations to tender and contracts and other legally enforceable agreements, with values exceeding £5,000 had either, not been published in the first instance by the required deadline or within the required timescales for subsequent reporting. (Low Risk)

The 6 control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action in respect of 2 issues was due to be taken by 1st April 2015, with 2 further issues due to be addressed by 1st May 2015. The remaining 2 issues were due to be addressed by 1st July 2015.

Creditors / Debtors 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on the controls in operation over the payments to suppliers and the treatment of debtor write-offs.

From the 21 key controls evaluated in this audit review, 17 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations, 2 of which were considered a low risk and 2 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- A spreadsheet was used to record the stock of pre-printed cheques. Access to this spreadsheet was not appropriately restricted and amendments could be made without detection. (Moderate Risk)
- The security arrangements for the pre-printed cheques did not comply with the insurance policy requirements. (Moderate Risk)
- Certain suppliers were being paid by cheque rather than BACs. A third of all cheques issued in the sample reviewed were being

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cashed within the Council to replenish Council petty cash floats. (Low Risk)

- Separate invoices under £15 had been sent to the same customer on the same day. (Low Risk)

All 4 of the control issues raised within this report were accepted and positive action had already been taken to address one moderate risk issue by the end of the audit. The other moderate risk issue was agreed to be addressed by 30th April 2015, with the 2 remaining low risk issues to be addressed by 30th June 2015 and 31st October 2015.

Business Continuity

Overall Control Assurance Rating: Limited

This audit focused on providing assurance as to the effectiveness of Business Continuity at South Derbyshire District Council via an independent assessment of arrangements in place.

From the 21 key controls evaluated in this audit review, 2 were considered to provide adequate control and 19 contained weaknesses. The report contained 17 recommendations, 12 of which were considered a low risk and 5 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- We found that the Business Continuity Plan was out-of-date and some information from the Plan was missing and required updating. (Moderate Risk)
- The Business Continuity Plan had not been reviewed in line with the timeframe stated within the plan. Any historic or ad-hoc reviews that had taken place, had not been documented or recorded. (Moderate Risk)
- The Terms of Reference for the Business Continuity Management Team had not been documented. (Low Risk)
- Regular meetings were not being held between members of the Business Continuity Management Team to ensure they were consulted on strategic and operational issues affecting business continuity. (Low Risk)

- Whilst there was an Emergency Planning and Business Continuity work programme in place, target dates and responsible officer details were missing in some cases. Progress against the work programme was not monitored by the Council. (Low Risk)
- The Service Level Agreement (SLA) was not being reviewed on an annual basis as per best practice. (Low Risk)
- We found that whilst the Emergency Command Centre had been nominated in the Business Continuity Plan, it made reference to the wrong room. Also, information we expected to find about the Emergency Command Centre in the Business Continuity Plan was not documented. (Low Risk)
- A check of the equipment required in the Emergency Control Room found that only 5 out of 13 pieces of equipment listed were readily available. (Low Risk)
- Contrary to the SLA, the Business Continuity Management Team had not received regular refresher training and a training log was not being maintained to enable gaps in training needs to be identified. (Low Risk)
- There was no formally documented or agreed Business Impact Assessment methodology and the current Business Impact Assessment did not consider the Recovery Time Objective or Recovery Point Objective for each activity. (Low Risk)
- The Business Impact Assessment had received no recent formal update. There was no documentation to support any updates in recent years. (Moderate Risk)
- There was inadequate documentation of the treatment of high risks identified in the Community Risk Register. (Low Risk)
- There was no documentation to support that business critical activities identified in the BIA process had been consider in a risk assessment. (Low Risk)
- We found there was no Business Continuity testing policy in place. (Moderate Risk)
- The results from Business Continuity testing had not been documented or followed up. (Low Risk)

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- Business Continuity Plan testing did not verify that intervals established in the Business Impact Assessment could be achieved. (Low Risk)
- The Business Continuity Plan was not tested routinely and test history was undocumented. It could not be established that any testing had been undertaken. (Moderate Risk)

All 17 control issues raised within this report were accepted and positive action was agreed to be taken to address all 17 issues. 5 issues were agreed to be addressed by 30th April 2015 (including 2 of the Moderate Risks), 1 by 31st May 2015, 4 by 30th June 2015 (including 2 of the Moderate Risks), 6 by 30th September 2015 (including 1 of the Moderate Risks) and the last remaining issue by 28th February 2016.

Housing Benefits & Council Tax Support 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on a number of elements within Housing Benefits and Council Tax Support in order to give assurance to the Council that these key systems were operating effectively and correctly.

From the 51 key controls evaluated in this audit review, 48 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- When notifications of changes in circumstances / or changes to Benefits claims were received, priority was not always given to resolving those that were likely to generate overpayments. (Low Risk)
- Reviews had not been carried out on high risk Benefit claims and, in some instances, information provided by claimants had not been thoroughly scrutinised. (Low Risk)
- The activities of the Fraud Investigation Unit were not given a high profile in reports to Members. Their activities were included in general financial matter reports. (Low Risk)

All 3 issues raised within this report were accepted. One issue was agreed to be addressed by the end of May 2015 and the remaining two actions were agreed to be taken by the end of June 2015.

Economic Development

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the direction of economic development within the district, ensuring that it was driven by appropriate strategies and via actions and directives that were in line with these strategies. Resources used in delivering the economic development actions and directives have also been considered.

From the 11 key controls evaluated in this audit review, 8 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The Economic Development Strategy was out-of-date and required refreshing. (Low Risk)
- The targets set for the Business Advisers were not fit for purpose to act as a tool for monitoring their performance. (Low Risk)
- Although the Council had means of publicising information on attractions and events in the local area via the Tourist Information Centre, the online presence (via the destination management system) was due to cease in March 2015 and a replacement was still in development. (Low Risk)

All 3 issues raised within this report were accepted. Management took action to address 1 of the issues at the time of finalising the report, and had agreed to take action to address 1 of the issues by 30th April 2015, and the remaining issue by 31st December 2015.

Main Accounting System 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing the robustness of key controls in relation to the main accounting system which included Treasury Management,

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key reconciliations, setting and approval of the Council's budget and the system in place to process journals and virements.

The Financial Services Manager was absent during part of 2014 and the previous Financial Accountant left the Council during this same period. The Trainee Accountant in post during the last (2013/14) audit had also left the Council during the same year. Many accounting duties including those relating to Treasury Management had been assigned to a junior Finance Officer who had also only recently commenced employment with the Council. The limited staffing resource during this time and the transitional period between the new Financial Accountant starting in post in December 2014 meant that a number of issues found during this audit, were a direct result of this situation, according to the Financial Services Manager.

From the 43 key controls evaluated in this audit review, 34 were considered to provide adequate control and 9 contained weaknesses. The report contained 11 recommendations, 7 of which were considered a low risk and 4 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- The CIPFA Treasury Management Code had been adopted, but the four clauses defined in the Code had not been documented. (Low Risk)

- There were inconsistencies with the level of detail and number of documents retained on the Finance network in support of the Treasury Management transactions. (Low Risk)

- Approvals to support three Treasury Management investment transactions and an emergency borrowing could not be located during the audit. Emails evidencing the approval of investment deals were not always being retained on the relevant folder on the finance network. (Moderate Risk)

- Two errors were identified highlighting differences between the investment register and the documents retained by the Finance section in confirmation of the deal. One of these affected the daily cashflow and was amended during the audit. (Low Risk)

- The Finance section used last year's figures to produce the cash flow forecast and relied on this to place investment transactions

during the year. As a consequence it was necessary to borrow funds from the financial markets at costly rates. (Moderate Risk)

- The Finance section was not obtaining quotes from more than one broker when preparing investment deals or borrowing arrangements and therefore had no point for comparison. (Low Risk)

- Treasury Management registers maintained by the Finance section did not always differentiate between loans and investments, with borrowings listed on the investment record and investments recorded in the borrowing record. (Low Risk)

- The Financial Accountant had access to the Barclays online bank accounts but the Bank Mandate had not been updated to reflect this. (Low Risk)

- Reconciliations of feeder systems had not been undertaken each month as expected and were not always being checked by a second officer. (Moderate Risk)

- Control account reconciliations had not been completed in some cases and were not always being checked by a second officer. (Moderate Risk)

- The checking of the bank reconciliation was not being evidenced every month. (Low Risk)

All 11 issues raised within this report were accepted. Positive action had already been taken to address 10 of the issues raised at the time of the audit. Action to address the one remaining issue was planned for 31st October 2015.

Council Tax / NNDR / Cashiering 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on a number of elements within Council Tax, Non-Domestic Rates (NDR) and Cashiering, in order to give assurance to South Derbyshire District Council that these key systems were operating effectively and correctly.

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From the 65 key controls evaluated in this audit review, 54 were considered to provide adequate control and 11 contained weaknesses. The report contained 11 recommendations, 10 of which were considered a low risk and 1 was considered a moderate risk. The following issues were considered to be the key control weaknesses:

- Some refunds had not been processed due to technical issues with the system. These had not been resolved promptly nor had alternative routes to return the funds to the customer been considered. (Low Risk)
- Credit balances on accounts were left until claimed by the customer, but the only action to notify the customer of the credit was when an adjustment notice was issued. If this was not responded to, the credit would stay on the account with no further action being taken. (Low Risk)
- Direct Debit guarantee indemnity claims, which should be processed immediately, had not all been processed promptly, and in another case, a duplicate refund had been raised. (Low Risk)
- Unpaid Direct Debits were processed on the system using the same transaction code as indemnity guarantees, plus other returned items, leading to problems in reconciling to the general ledger. (Low Risk)
- Recovery run error reports listing accounts where action could be taken to further recovery indicated that some had not been updated for some time. (Low Risk)
- Follow-ups where attachments of earnings had produced no payments were not being carried out promptly. (Low Risk)
- Contact details (email addresses and phone numbers) provided by taxpayers in their application for retail relief had not been input onto the system. (Low Risk)
- A record had not been kept to prove that all necessary bills have been produced. (Moderate Risk)
- The suspense account records had not been subject to management review since the responsibility for this task had moved to a different team. (Low Risk)

- Key rules and regulations had not been shared with, or made available to staff. (Low Risk)
- Tests had not been carried out to ensure that backups actually provided a usable copy of the data which could be loaded back onto the network. (Low Risk)

All 11 issues raised within this report were accepted and action had already been taken to address 3 of the issues at the time of issuing the final report. A further 2 issues were agreed to be addressed by the end of May 2015, 3 to be addressed by the end of June 2015, 1 by the end of September 2015, 1 by the end of December 2015 with the 1 remaining action was to be taken by 31st March 2016.

Civica Security Assessment

Overall Control Assurance Rating: **Reasonable**

This audit focused on the security configuration and management of the Council's Civica APP application and supporting infrastructure. At the time of the audit, this comprised of the production database and application server, \\SDDC-VM-CIVICA, and the file server used to store Civica documents \\BOKA. The Civica APP application provides the management of operations functions in Environmental Health, Licensing, Safer Communities and Strategic Housing.

We restricted our scope to exclude a check on appropriateness of users with local administrator access to the file server storing Civica documents (BOKA). At the time of the audit we found 78 live accounts had been granted domain admin access in the SODOR domain, which seemed excessive. However, we were made aware this issue had been flagged in a recent PSN audit, and that actions were already in place to reduce the number of domain admins. Subsequently, no further testing and verification was deemed beneficial at this stage.

Nor could we provide adequate assurance that all changes made to the production Civica server and application had been managed through a formal change control process. We were informed by the Environmental Health Manager that the Council's Principal Environmental Health Officer in the Commercial Team had been responsible historically for requesting changes to be made to the

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system. This officer had left the Council in November 2014 and subsequently we could not obtain the change request information and evidence required to provide assurance all necessary changes and updates to the application and server had been conducted through a managed change control process.

From the 28 key controls evaluated in this audit review, 15 were considered to provide adequate control and 13 contained weaknesses. The report contained 9 recommendations, 6 of which were considered a low risk and 3 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- There were 2 enabled Civica APP accounts with no password set, and another account with a password set to a 5 character dictionary word. This makes the application highly prone to unauthorised access. In addition, the application was not enforcing password complexity policies for new passwords. (Moderate Risk)
- There was no formal process in operation for restricting user access to data based on a need-to-know basis. Civica users in different departments could access other department's personal and sensitive information without there always being a justified requirement. (Low Risk)
- There were 8 accounts that had not logged into the application in over 200 days, yet they had not been disabled. Furthermore, there were 8 accounts with generic shared usernames, which could not be tied to an employee, leading to accountability risks. (Low Risk)
- Data processed by the Civica application was subject to the Council's data retention policy, yet data was not always being removed in line with corporate retention policies. Ultimately this could lead to data protection legislation breaches. (Low Risk)
- There were a number of domain admin accounts in the Council's SDDC and SODOR domains with weak corresponding passwords. These could be exploited to gain unauthorised administrator access to the production Civica server or file server housing Civica documents. (Moderate Risk)

- Neither logon success nor logon failure auditing were enabled on the production Civica application and database server. Without auditing, a security compromise or attempted compromise against the server may go undetected and without a means to determine accountability. (Low Risk)
- 329 users had been granted access to remote desktop onto the production Civica Server, via the SDDC\SG_VDI_users domain group. This access could be abused to affect the integrity, availability and confidentiality of the Civica application. (Low Risk)
- The file server storing the Civica documents (\\SODOR\BOKA) was missing 104 security updates, and 3 service packs and/or update rollups. The missing security updates dated back as far as December 2010. Furthermore, the Automatic Updates feature had not been configured on the Server. (Low Risk)
- A number of directories housing Civica documents on the Council's file server were accessible by unauthorised users. This gives rise to data protection breaches and privacy violations. (Moderate Risk)

All 9 of the issues raised were accepted and positive actions had already been taken to address 5 of the control weakness by the end of the audit, 1 of the control weaknesses was agreed to be addressed by the end of August 2015, and the final 3 issues by the end of December 2015.

Risk Management 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the arrangements in place at the Council for identifying and managing the risk of fraud and how this was integrated within the current risk management processes for monitoring and reporting.

From the 13 key controls evaluated in this audit review, 9 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

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- Efforts had been made to establish an anti-fraud culture at the Council, but it was not sufficiently robust to ensure that all officers and members were aware of their responsibilities. (Low Risk)
- The Counter Fraud & Corruption Policy was last approved in April 2012 and the Policy should be reviewed every two years. (Low Risk)
- Although the Fraud Investigation Unit had suitable experience and qualifications to undertake their duties, the remit of the Unit would be changing once the SFIS took responsibility for Housing Benefit frauds in late 2015. The changes to the Unit once this happened still required formal approval and actions to ensure that the Council continued to protect itself from the risk of fraud. (Low Risk)
- 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 closer working with Internal Audit. (Low Risk)

All 4 issues raised within this report were accepted and management agreed to take action to address 1 of the issues by October 2015 and the 3 remaining issues by December 2015.

Data Quality & Performance Management 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on the performance indicators the Council were required to report during the 2014/15 financial year for monitoring the Council's Corporate Plan. We have undertaken a Self-Assessment of these indicators and incorporated reviews of what are considered to be the highest risk indicators.

The Self-Assessment process, in conjunction with the Policy and Communications Team, identified the following 2 indicators as the higher risk performance measures. These Performance Indicators were therefore examined in greater depth:

- LM 05 - Number of cultural activity participants.
- GM 07 - Speed of planning determinations.

From the 29 key controls evaluated in this audit review, 17 were considered to provide adequate control and 12 contained weaknesses. The report contained 7 recommendations, 2 of which were considered a low risk and 5 were considered a moderate risk. The following issues were considered to be the key control weaknesses with the performance indicator 'LM 05 - Number of cultural activity participants':

- The performance figures for quarter 1 in 2014/15 had not been reported to the Housing and Leisure Committee as required. (Moderate Risk)
- Management checks over the performance figures were not effective and had not been suitably evidenced. (Moderate Risk)
- Inadequate checks had been undertaken over the gathering of the performance data, which lead to inaccurate performance figures being reported. (Moderate Risk)

The following issues were considered to be the key control weaknesses with the performance indicator 'GM 07 - Speed of planning determinations':

- More rigorous management checks are required over the calculation of the performance figures, while the iLap Planning database is awaiting a required system upgrade. (Moderate Risk)
- The definition was not up-to-date and old guidance had been used for calculating the performance figures. (Low Risk)
- There was no documented methodology for producing the Speed of Planning Applications performance figures. (Low Risk)
- The iLAP Planning Database, required for producing the statutory PS1 and PS2 returns and calculating the performance figure, had not been upgraded as required. (Moderate Risk)

The 7 control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action in respect of 2 recommendations had already been taken at the time of the audit, 1 recommendation was due to be implemented by 29th May 2015, a further recommendation was due to be addressed by 30th June 2015 and the remaining 3 recommendations were due to be implemented by 1st July 2015.

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Fixed Assets 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on undertaking a number of probity checks to confirm the integrity of data within the Council's asset records.

From the 7 key controls evaluated in this audit review, 4 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Assets listed on the vehicle, plant and equipment inventory record that did not have a registration number could not always be easily matched to the Council's Fixed Asset Register. (Low Risk)
- A routine data matching exercise was not being undertaken to ensure that assets valued at over £10k recorded on the vehicle, plant and equipment inventory were accounted for in the Council's Corporate Fixed Asset Register. (Low Risk)
- There were a number of assets on the fixed asset register and the vehicle, plant and equipment inventory that could not be physically verified due to insufficient detail in the records. (Low Risk)
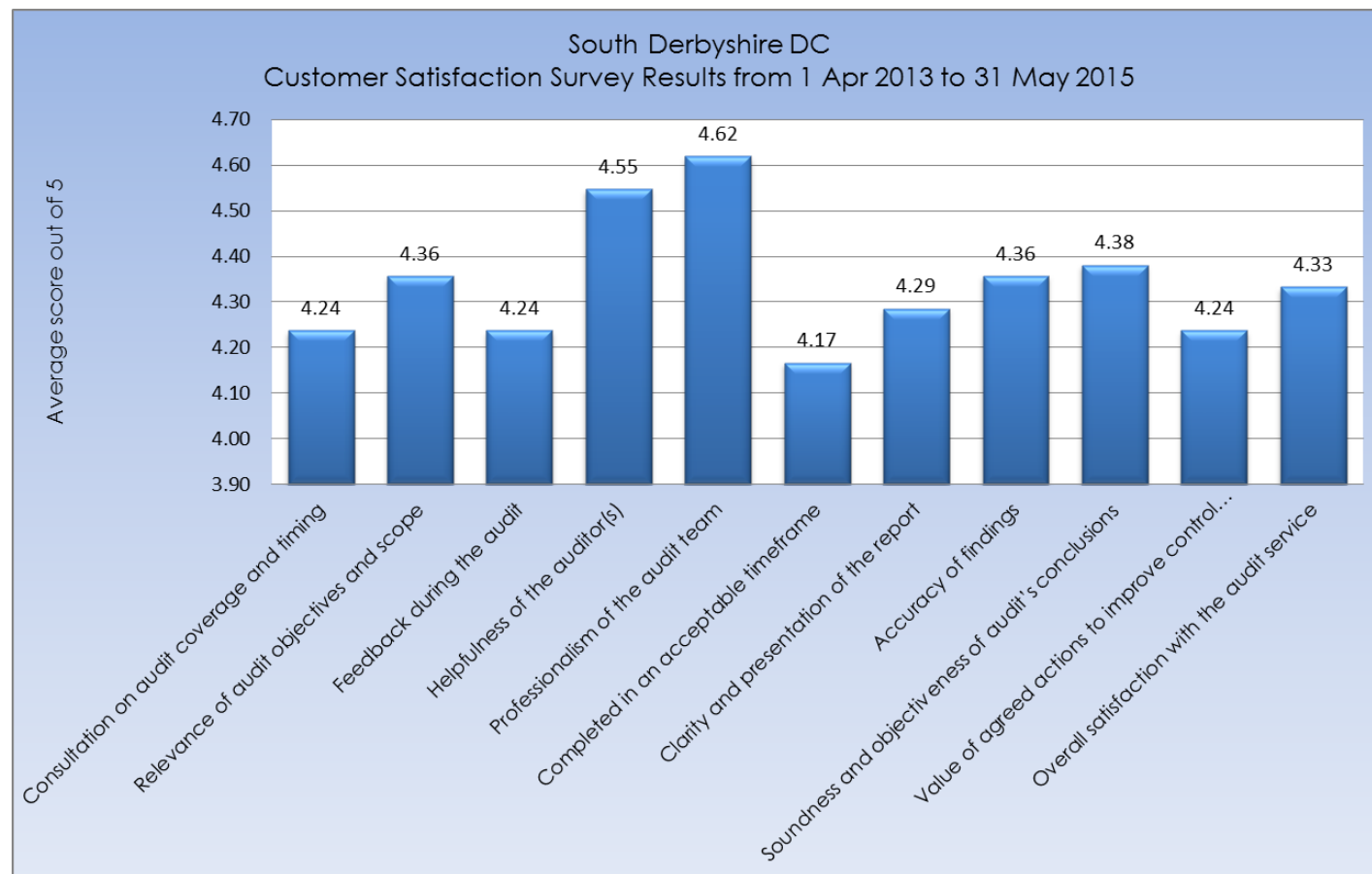
All 3 of the control issues raised in this report were accepted. Positive action was agreed to address all 3 of the control issues by 30th October 2015.

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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 42 responses received between 1st April 2013 and 31st May 2015. The overall average score from the surveys was 47.8 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 3 occasions.

South Derbyshire DC
Customer Satisfaction Survey Results from 1 Apr 2013 to 31 May 2015

Average score out of 5

Question	Score
Consultation on audit coverage and timing	4.24
Relevance of audit objectives and scope	4.36
Feedback during the audit	4.24
Helpfulness of the auditor(s)	4.55
Professionalism of the audit team	4.62
Completed in an acceptable timeframe	4.17
Clarity and presentation of the report	4.29
Accuracy of findings	4.36
Soundness and objectiveness of audit's conclusions	4.38
Value of agreed actions to improve control...	4.24
Overall satisfaction with the audit service	4.33

South Derbyshire District Council – Internal Audit Progress Report

Audit Performance

Customer Satisfaction

Since 1st April 2013, we have sent 58 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 58 sent we have received 42 responses.

Ten 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.
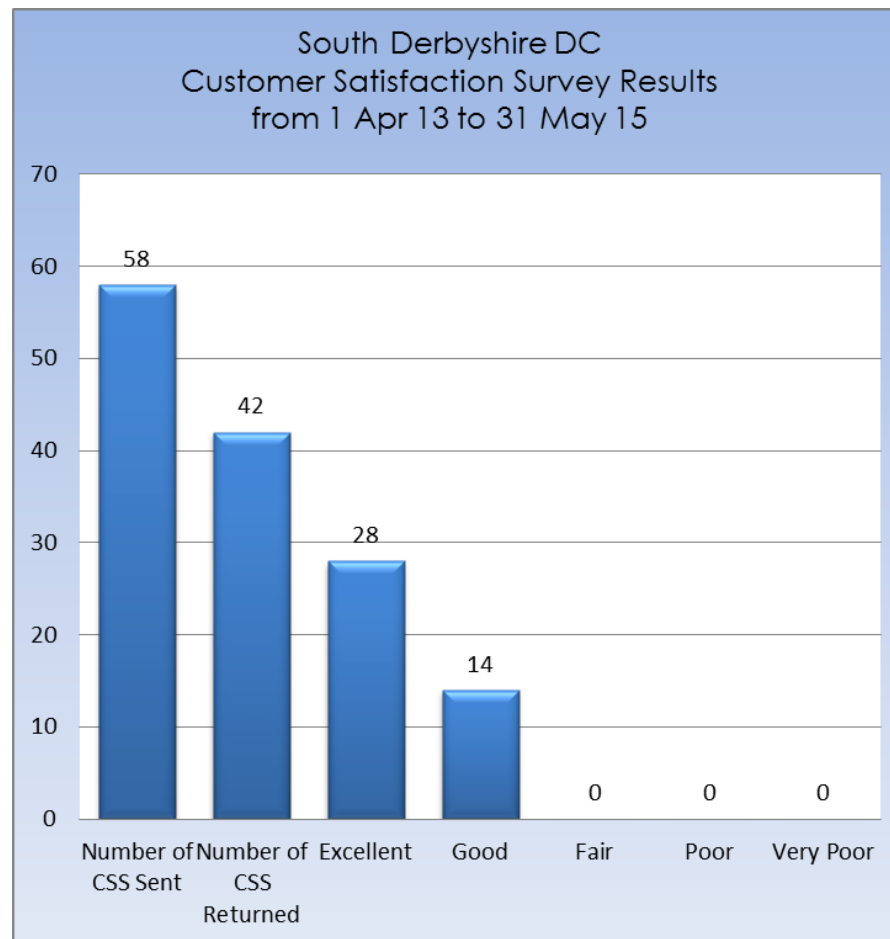
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Creditors / Debtors 2013-14	04-Feb-15	Financial Services Manager
Pollution Control	25-Feb-15	Environmental Health Manager
Procurement - Transparency Code	13-Mar-15	Head of Procurement
Business Continuity	30-Mar-15	Director of Finance & Corporate Services
Creditors / Debtors 2014-15	31-Mar-15	Financial Accountant
Economic Development	08-Apr-15	Economic Development 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 28 of 42 responses categorised the audit service they received as excellent, another 14 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.

South Derbyshire DC
Customer Satisfaction Survey Results
from 1 Apr 13 to 31 May 15

CMAP
central midlands audit partnership

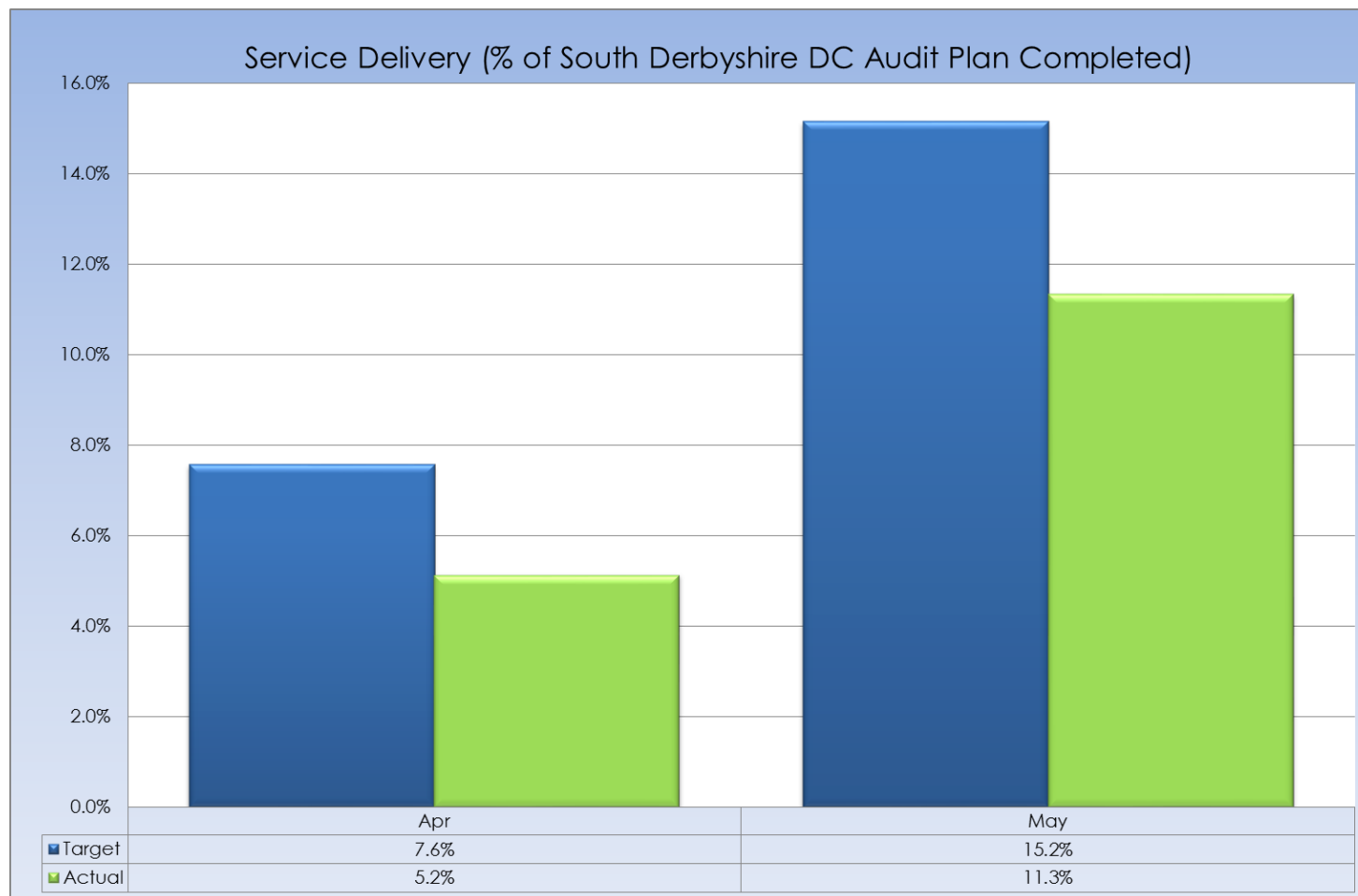# South Derbyshire District Council – Internal Audit Progress Report

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 2015-16 Audit Plan (including incomplete jobs brought forward) after 2 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.

Service Delivery (% of South Derbyshire DC Audit Plan Completed)

	Apr	May
■ Target	7.6%	15.2%
■ Actual	5.2%	11.3%

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:

- **Blank** = Audit have been unable to ascertain any progress information from the responsible officer or it has yet to reach its agreed implementation date.

- **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	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	276	22	4	5	2	39	**348**
Moderate Risk	67	5	1	4	0	9	**86**
Significant Risk	7	0	0	0	0	0	**7**
Critical Risk	0	0	0	0	0	0	**0**
	350	**27**	**5**	**9**	**2**	**48**	**441**

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

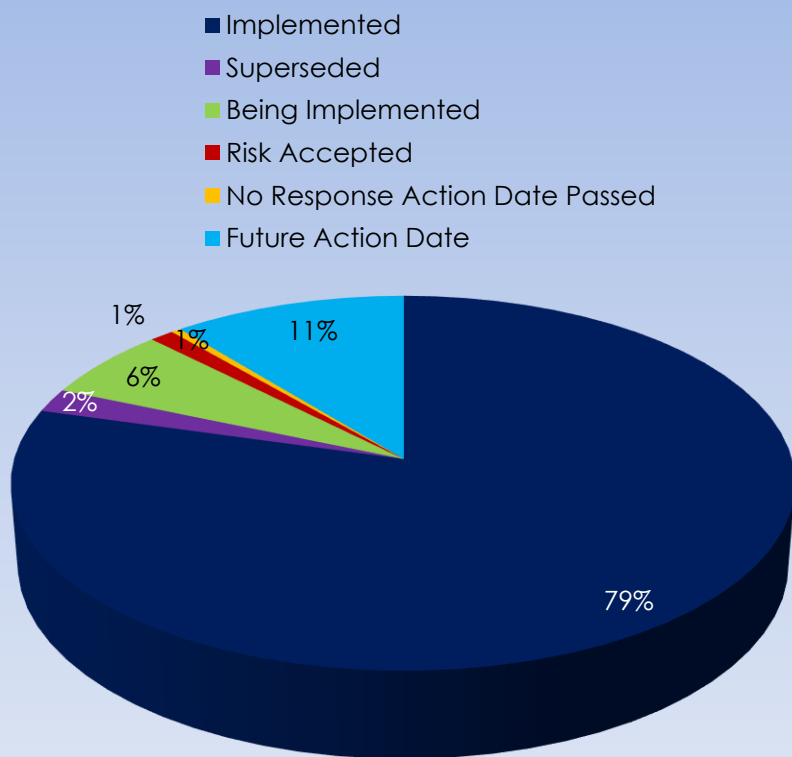| Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being Implemented	16	7	4	**27**
Due, but unable to obtain progress information	2	0	0	**2**
	18	**7**	**4**	**29**

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. We will provide full details of each recommendation where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). All 5 of the recommendations shown above, where management has chosen to accept the risk, have already been reported to this Committee.

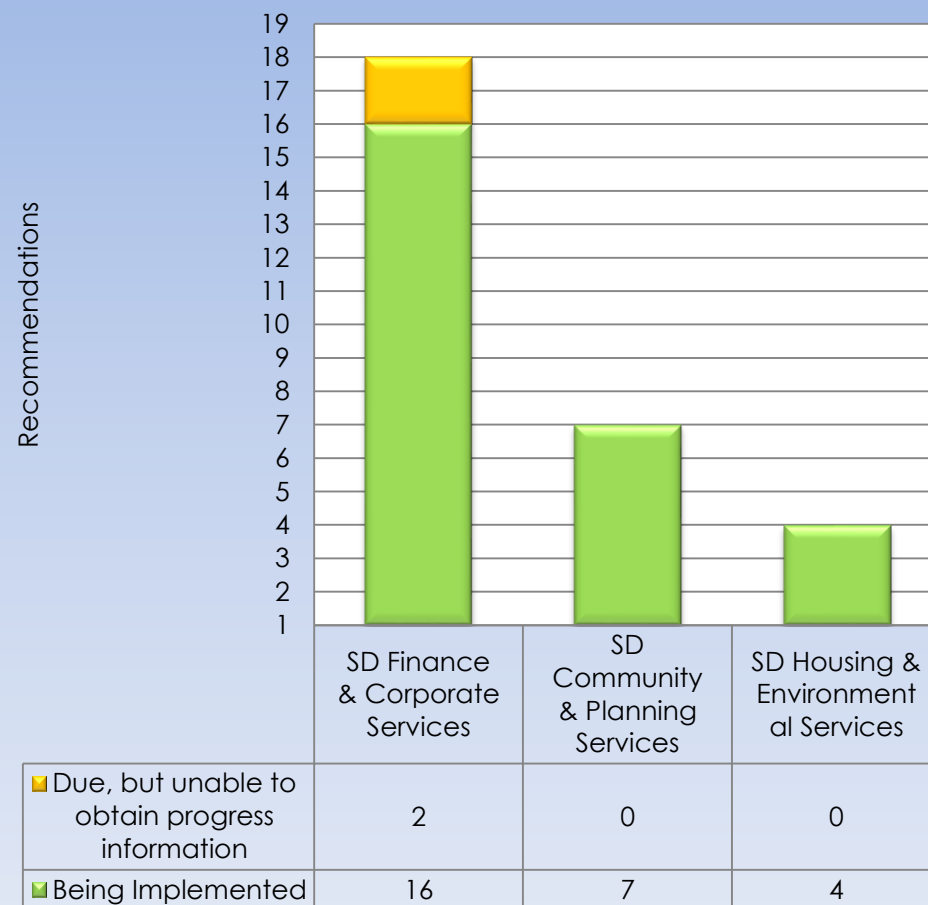# South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts

Action Status of Recommendations made between 1st Oct 2010 and 31st May 2015

- Implemented
- Superseded
- Being Implemented
- Risk Accepted
- No Response Action Date Passed
- Future Action Date

1% · 1% · 6% · 2% · 11% · 79%

South Derbyshire - Recommendations Not Yet Implemented by Department

	SD Finance & Corporate Services	SD Community & Planning Services	SD Housing & Environmental Services
Due, but unable to obtain progress information	2	0	0
Being Implemented	16	7	4

South Derbyshire District Council – Internal Audit Progress Report

Recommendation Tracking

Recommendations Not Yet Implemented

Corporate Services

Car Allowances

Control Issue - 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 2015/16.

Original Action Date   30 Jun 11   Revised Action Date   31 Mar 16

Corporate Governance

Control Issue – The Member and Officer Relations protocol document did not include the responsibility of officers to provide training and development to Members and to respond in a timely manner to queries raised by Members. The document had not been reviewed since 2003.

Risk Rating – Low Risk

Status Update – This will be included in a wider review of the whole Constitution to bring it up to date. It was envisaged that this document would be brought up-to-date in advance of the May 2015 elections.

Original Action Date   1 Feb 14   Revised Action Date   31 May 15

Procurement - Transparency Code

Control Issue - The contractual information required by the Code was not being published for contracts and other legally enforceable agreements in line with the data publishing requirements.

Risk Rating – Low Risk

Status Update - Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

Original Action Date   01-Apr-15   Revised Action Date   01-Jul-15

Control Issue - The Council were not publishing the required data for the contracts where invitations to tender had been invited in the previous quarter, as required by the Local Government Transparency Code 2014.

Risk Rating – Low Risk

Status Update - Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

Original Action Date   01-Apr-15   Revised Action Date   01-Jul-15

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Creditors / Debtors 2013-14

Control Issue – As the Sundry Debtor Credit Control policy and procedure wasn't dated or subject to version control, we could not determine whether it had been subject to annual review. Also, we were unable to determine whether the minimum amount on which court action is taken and the minimum invoice amount had been subject to annual review.

Risk Rating – Low Risk

Status Update – The Director of Finance and Corporate Services has agreed a revised implementation date of 30th September 2015.

Original Action Date   1 Apr 15   Revised Action Date   30 Sep 15

PCI Compliance

Control Issue – The consequences of non-compliance with the PCI DSS had not been considered as part of the Council's risk management process.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Mar 15   Revised Action Date   31 Jul 15

Control Issue – The Council's ICT section had not produced, or obtained from the Third Party Service Providers (TPSP), a diagram showing current cardholder data flows or evidence to demonstrate that access points to cardholder data had been secured.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Mar 15   Revised Action Date   31 Jul 15

Control Issue – The Council had not received any correspondence from the Third Party Service Providers – Global Pay or Capita Business Services confirming responsibilities for PCI compliance.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Jan 15   Revised Action Date   31 Jul 15

Control Issue – Reporting lines and responsibilities for ensuring PCI DSS compliance had not been defined within the Council.

Risk Rating – Low Risk

Status Update – No progress has been made on the PCI audit so the Director of Finance and Corporate Services has agreed a revised implementation date of 31st July 2015.

Original Action Date   31 Mar 15   Revised Action Date   31 Jul 15

Council Tax / NNDR / Cashiering 2013-14

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

Risk Rating – Low Risk

Status Update – Another 6 months has been requested to address this. Majority, if not all, relate to old converted accounts which have a void liability date i.e. 1.4.05 – 1.4.05 and therefore bills will not get printed as Academy believes there is no liability, or are below minimum print level - < £1.

Original Action Date   31 Dec 14   Revised Action Date   30 Jun 15

South Derbyshire District Council – Internal Audit Progress Report

CRM Security Assessment

Control Issue – 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 – These matters are being addressed through the replacement of a server and an upgrade to the CRM system which is due to be implemented by September 2015 to meet PSN requirements.

Original Action Date   30 Apr 15   Revised Action Date   30 Sep 15

Control Issue – There were a number of issues noted with the backups of the CRM SQL Server. The SQL Server system databases were not subject to backups, log files were not being backed up despite the server being in full recovery mode, backups were being written to the same drive as the live database files, and there was no evidence to demonstrate test restores were taking place.

Risk Rating – Moderate Risk

Status Update – These matters are being addressed through the replacement of a server and an upgrade to the CRM system which is due to be implemented by September 2015 to meet PSN requirements.

Original Action Date   30 Apr 15   Revised Action Date   30 Sep 15

Control Issue – 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 – These matters are being addressed through the replacement of a server and an upgrade to the CRM system which is due to be implemented by September 2015 to meet PSN requirements.

Original Action Date   30 Apr 15   Revised Action Date   30 Sep 15

Business Continuity

Control Issue – Contrary to the SLA, the Business Continuity Management Team had not received regular refresher training and a training log was not being maintained to enable gaps in training needs to be identified.

Risk Rating – Low Risk

Status Update – Training proposals have been sent to directors, now awaiting agreement.

Original Action Date   30 Apr 15   Revised Action Date   31 Jul 15

Partnership Governance

Control Issue – The mechanism for releasing payments had only been included within the Management Agreement, which was between the Council and Aurora. The financial contribution of each partner had not been formally documented and agreed.

Risk Rating – Low Risk

Status Update – No Response.

Original Action Date   31 Mar 15   Revised Action Date

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Control Issue – Terms of reference were established in 2006 and had not been reviewed or updated since.

Risk Rating – Low Risk

Status Update – No Response.

Original Action Date   31 Mar 15   Revised Action Date

Control Issue – Key financial rules and procedures documents had not been issued to Aurora.

Risk Rating – Low Risk

Status Update – This will be an agenda item at 4th August 2015 Executive meeting.

Original Action Date   31 Mar 15   Revised Action Date   5 Aug 15

Civica Security Assessment

Control Issue – A number of directories housing Civica documents on the Council's file server were accessible by unauthorised users. This gives rise to data protection breaches and privacy violations.

Risk Rating – Moderate Risk

Status Update – Additional time requested.

Original Action Date   1 May 15   Revised Action Date   30 Jun 15

Community & Planning Services

Community Safety Partnership

Control Issue – The current arrangements for reporting back to the Council and other partner organisations had not been clearly documented.

Risk Rating – Low Risk

Status Update – Refreshed Partnership Plan provided along with an example of a quarterly newsletter.

Original Action Date   31 Mar 15   Revised Action Date   30 Jun 15

Control Issue – The Terms of Reference for the key Boards, Groups and Committees were not reviewed and updated on a regular basis, and did not always reflect current membership of the group.

Risk Rating – Low Risk

Status Update – Strategic Group ToRs had been updated and approved. Other ToRs that required updating were VAL, ASB Tasking, Pub Watch and DAAG - no progress on these.

Original Action Date   31 Dec 14   Revised Action Date   30 Jun 15

Leisure Centres

Control Issue – The Leisure Management Contract was in draft form, despite Active Nation being in the third year of service delivery.

Risk Rating – Moderate Risk

Status Update – Revised and finalised documents were issued to Active Nation with a view to a formal signing. However, in the interim and further to VAT advice it came to light that a side agreement with a lease or licence relating to GBLC is required as well as an update to VAT related wording within the contract. The Council's legal advisor is on extended sick leave and so the Council is receiving external legal support from Geldards and the leisure contract is part of this work programme.

Original Action Date   25 Oct 13   Revised Action Date   30 Apr 15

Section 106 Agreements

Control Issue – Periodic reconciliations were not being done between the Land Charges records and the Planning Team's Section 106 agreement records to ensure that all agreements had been correctly registered as charges against the relevant land.

Risk Rating – Low Risk

Status Update – Some progress made on this recommendation but completion of reconciliation programme not yet complete.

Original Action Date   1 Apr 15   Revised Action Date   30 Jun 15

South Derbyshire District Council – Internal Audit Progress Report

Bereavement Services

Control Issue – Although there were some procedural guidelines and checklists in place, the documents were fragmented and the checklists were not always being properly completed.

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

Original Action Date   31 Mar 15   Revised Action Date   30 Sep 15

Control Issue – 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 – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

Original Action Date   31 Mar 15   Revised Action Date   30 Jun 15

Control Issue – The Interment and memorial application forms and the Council's burial webpage did not clearly advice customers on the methods available to them for making a payment.

Risk Rating – Low Risk

Status Update – Unprecedented requirements on the service have lead to a delay in tackling the outstanding recommendations.

Original Action Date   31 Mar 15   Revised Action Date   30 Sep 15

Housing & Environmental Services

Tenants Arrears

Control Issue – The Council did not have a formal rent arrears policy.

Risk Rating – Low Risk

Status Update – In the process of reviewing all of our policies and procedures. With the introduction of Universal credit in September, we are looking to complete the rents policy after this date.

Original Action Date   31 Dec 14   Revised Action Date   30 Sep 15

Vehicles, Plant & Equipment

Control Issue – There was not a formally approved replacement policy in place that set the criteria for assessing the replacement of vehicles, plant and equipment to ensure the chosen option achieved optimum vfm.

Risk Rating – Low Risk

Status Update – 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.

Original Action Date   31 Dec 14   Revised Action Date   12 Aug 15

Control Issue – 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 – 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.

Original Action Date   30 Nov 14   Revised Action Date   12 Aug 15

South Derbyshire District Council – Internal Audit Progress Report

Control Issue – The Council did not have a formally approved Vehicle, Plant and Equipment Management Strategy in place that set out its aims and objectives and its policy on the management of these assets.

Risk Rating – Low Risk

Status Update – 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.

Original Action Date   1 Apr 15   Revised Action Date   12 Aug 15