



# South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 14<sup>th</sup> December 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



# South Derbyshire District Council – Internal Audit Progress Report

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## 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 30<sup>th</sup> November 2016.

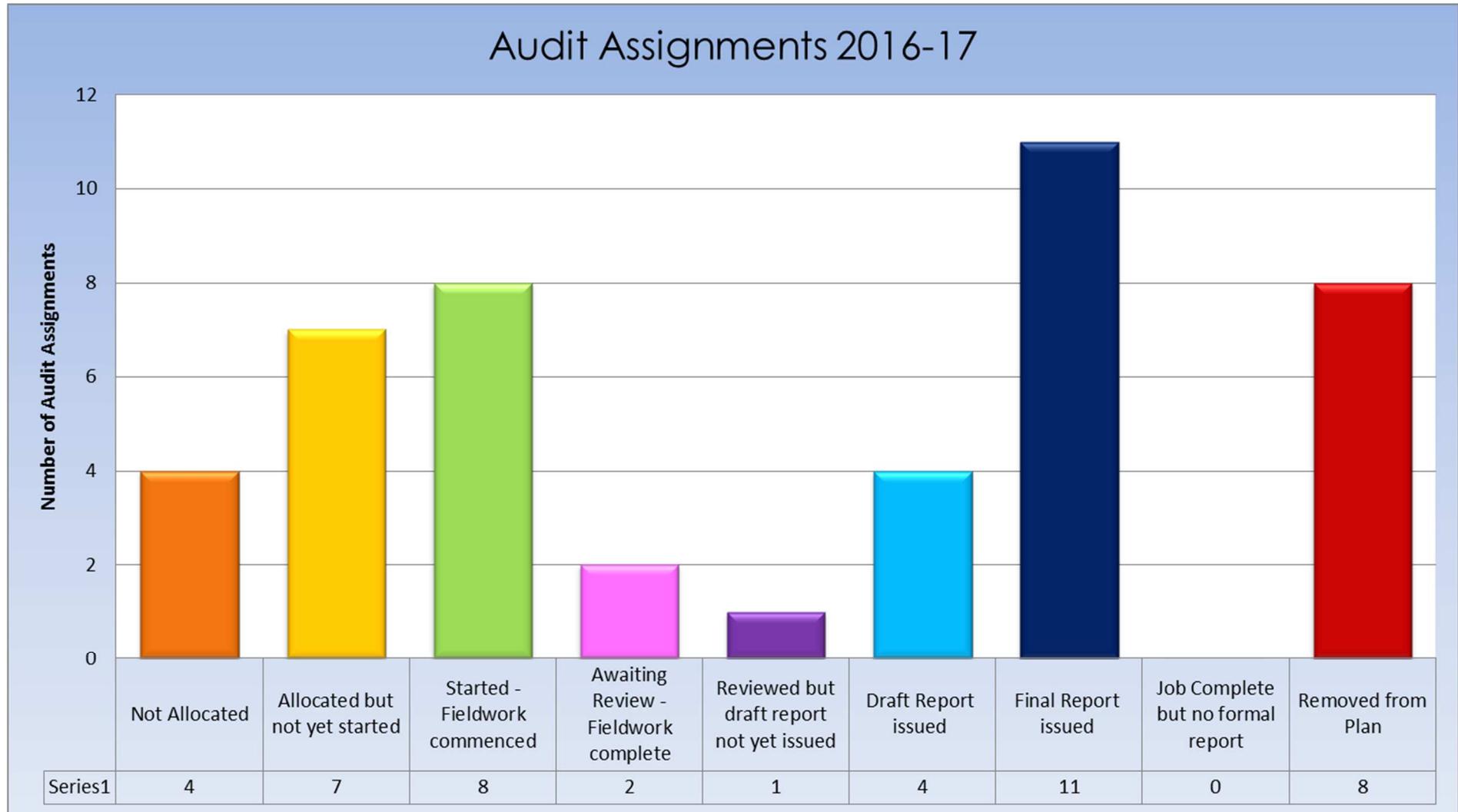
Audit Plan Assignments	Type of Audit	Current Status	% Complete
Treasury Management 2016-17	Key Financial System	In Progress	70%
Banking Services	Systems/Risk Audit	In Progress	65%
Taxation	Systems/Risk Audit	Allocated	20%
Council Tax 2016-17	Key Financial System	Reviewed	90%
NDR 2016-17	Key Financial System	Fieldwork Complete	80%
Housing Benefit & Council Tax Support 2016-17	Key Financial System	In Progress	70%
Creditors 2016-17	Key Financial System	Allocated	20%
Debtors 2016-17	Key Financial System	Allocated	20%
Data Quality & Performance Management	Governance Review	Allocated	15%
Safeguarding	Governance Review	Allocated	10%
Land Charges	Systems/Risk Audit	Draft Report	95%
Leisure Centres	Systems/Risk Audit	In Progress	25%
Allocations & Homelessness	Systems/Risk Audit	Final Report	100%
Parks & Open Spaces	Systems/Risk Audit	In Progress	30%
Gypsy Sites	Systems/Risk Audit	Fieldwork Complete	80%
Empty Homes HCA Grant 2016-17	Grant Certification	Draft Report	95%
Main Accounting System (MTFP) 2015-16	Key Financial System	Final Report	100%
Change & Configuration Management	IT Audit	In Progress	75%
Client Monitoring - Corporate Services Contract	Procurement/Contract Audit	In Progress	55%
Petty Cash & Inventories	Systems/Risk Audit	Draft Report	95%
Fixed Assets 2015-16	Key Financial System	In Progress	70%
Whistleblowing Investigation	Investigation	Draft Report	95%
Whistleblowing Investigation 2	Investigation	Allocated	5%
Housing Contracts Review	Investigation	Allocated	5%

Another 4 planned assignments (not shown above) have not been allocated yet. Another 9 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 1<sup>st</sup> September 2016 and 30<sup>th</sup> November 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):

- Housing Allocations & Homelessness (**Comprehensive**).
- Main Accounting (MTFP) 2015-16 (**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.

#### Housing Allocations & Homelessness

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the adequacy of controls within the housing allocations process which ensure that allocations and tenancies created are valid and that measures to manage homelessness are appropriate.

From the 25 key controls evaluated in this audit review, 23 were considered to provide adequate control and 2 contained partial weaknesses. The report did not contain any recommendations. Only 2 minor risk issues were highlighted for management's consideration and we do not intend to formally follow up either of these issues.

#### Main Accounting (MTFP) 2015-16

Overall Control Assurance Rating: **Comprehensive**

This audit focused on ensuring that the model underpinning the Council's Medium Term Financial Plan (MTFP) was accurate and free

from error. It also sought to ensure that there was an established protocol in respect of the Council's earmarked reserves.

From the 21 key controls evaluated in this audit review, 12 were considered to provide adequate control and 9 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 password configuration for access to the MTFP spreadsheet was weak and therefore provided the potential for unauthorised officers to access the information and make unsanctioned changes to the financial data. (**Low Risk**)
- The "tracked changes" facility within the MTFP spreadsheet had not been activated, to allow for an audit trail of changes made to the information to be held. (**Low Risk**)
- Changes made to the Council's MTFP model were not being verified to original source data to confirm their accuracy. (**Low Risk**)
- The MTFP model was not subject to review or logic inspection by an officer who was independent of its use. (**Low Risk**)
- Critical information within the MTFP spreadsheet model had not been protected to prevent accidental change or unauthorised amendment. (**Low Risk**)
- The Council had not established a protocol setting out specific details regarding its earmarked reserves in accordance with best practice guidance issued by CIPFA's Local Authority Accounting Panel and the Council's Financial Procedure Rules. (**Low Risk**)

All 6 issues raised within this report were accepted. Action had already been taken to address 3 of the issues raised by the end of the audit, with action being agreed to be taken by 31<sup>st</sup> October 2016 to address the remaining 3 issues.

## South Derbyshire District Council – Internal Audit Progress Report

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### Plan Changes

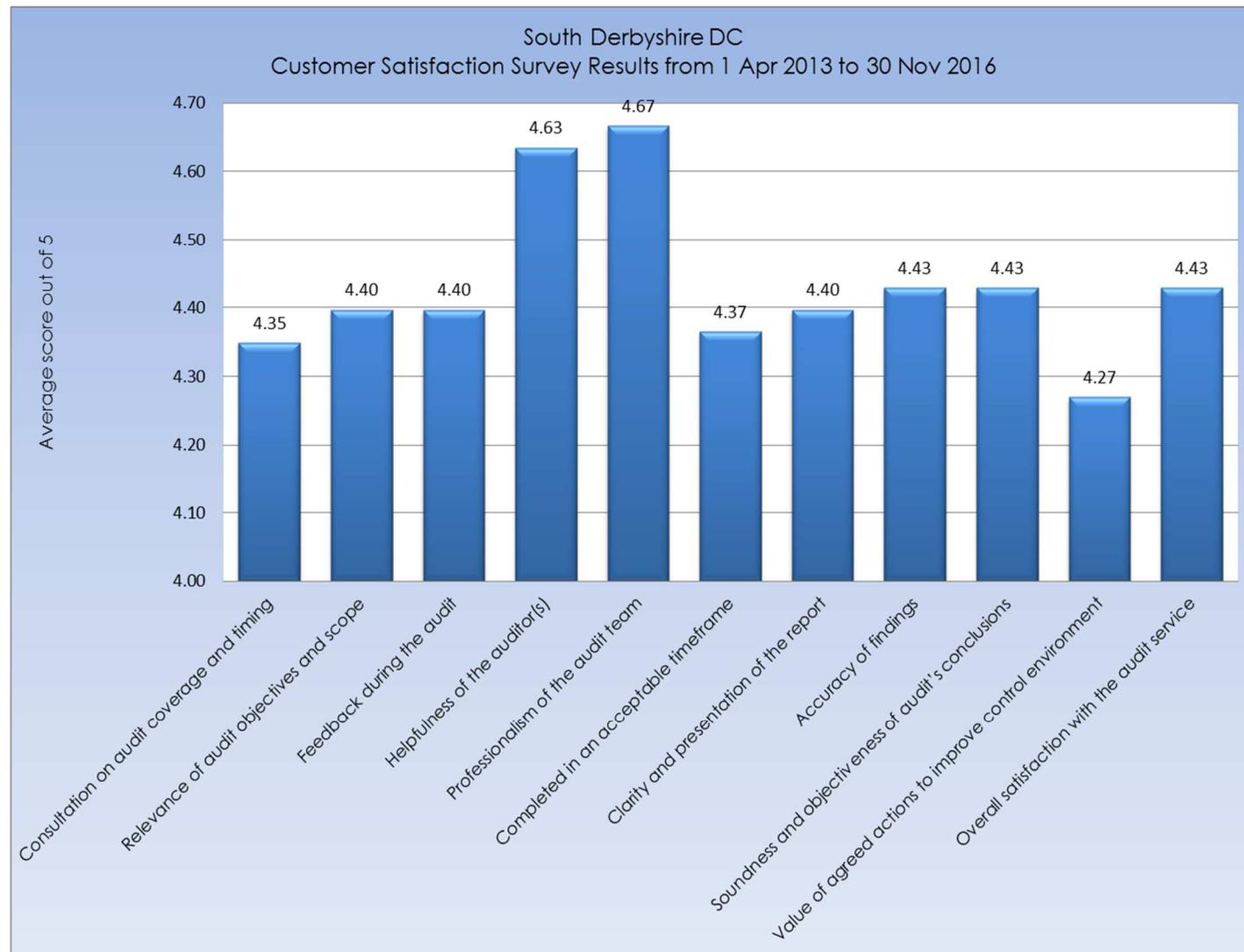
During this period it has again been necessary to make some alterations to this year's Audit Plan. This is due to the ongoing assistance being provided to support the Council's Whistleblowing Investigation. As such it has now been necessary to remove the Records Management, Anti-Fraud & Corruption and some planned IT Audit work from this year's Plan to accommodate the time already spent dealing with the Whistleblowing issue and further matters identified by the Whistleblower and supplementary work requested by the S151 Officer.

# 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 63 responses received between 1<sup>st</sup> April 2013 and 30<sup>th</sup> November 2016. The overall average score from the surveys was 4.88 out of 5. The lowest score received from a survey was 4.0, whilst the highest was 5.5 which was achieved on 7 occasions.



# South Derbyshire District Council – Internal Audit Progress Report

## Audit Performance

### Customer Satisfaction

Since 1<sup>st</sup> April 2013, we have sent 93 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 93 sent we have received 63 responses.

30 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.

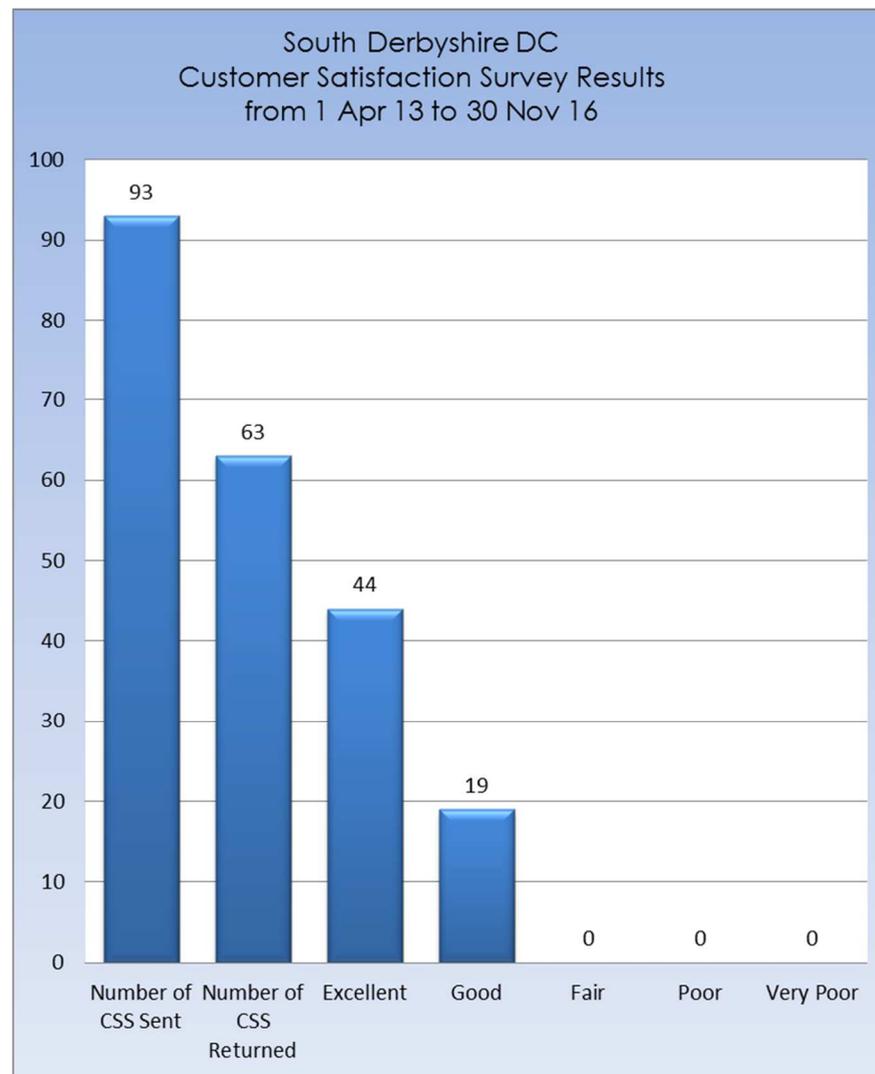
The following Customer Satisfaction Survey has yet to be returned from the period:

Job Name	CSS Sent	Officer
Allocations & Homelessness	14-Sep-16	Director of Housing

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 44 of 63 responses categorised the audit service they received as excellent, another 19 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

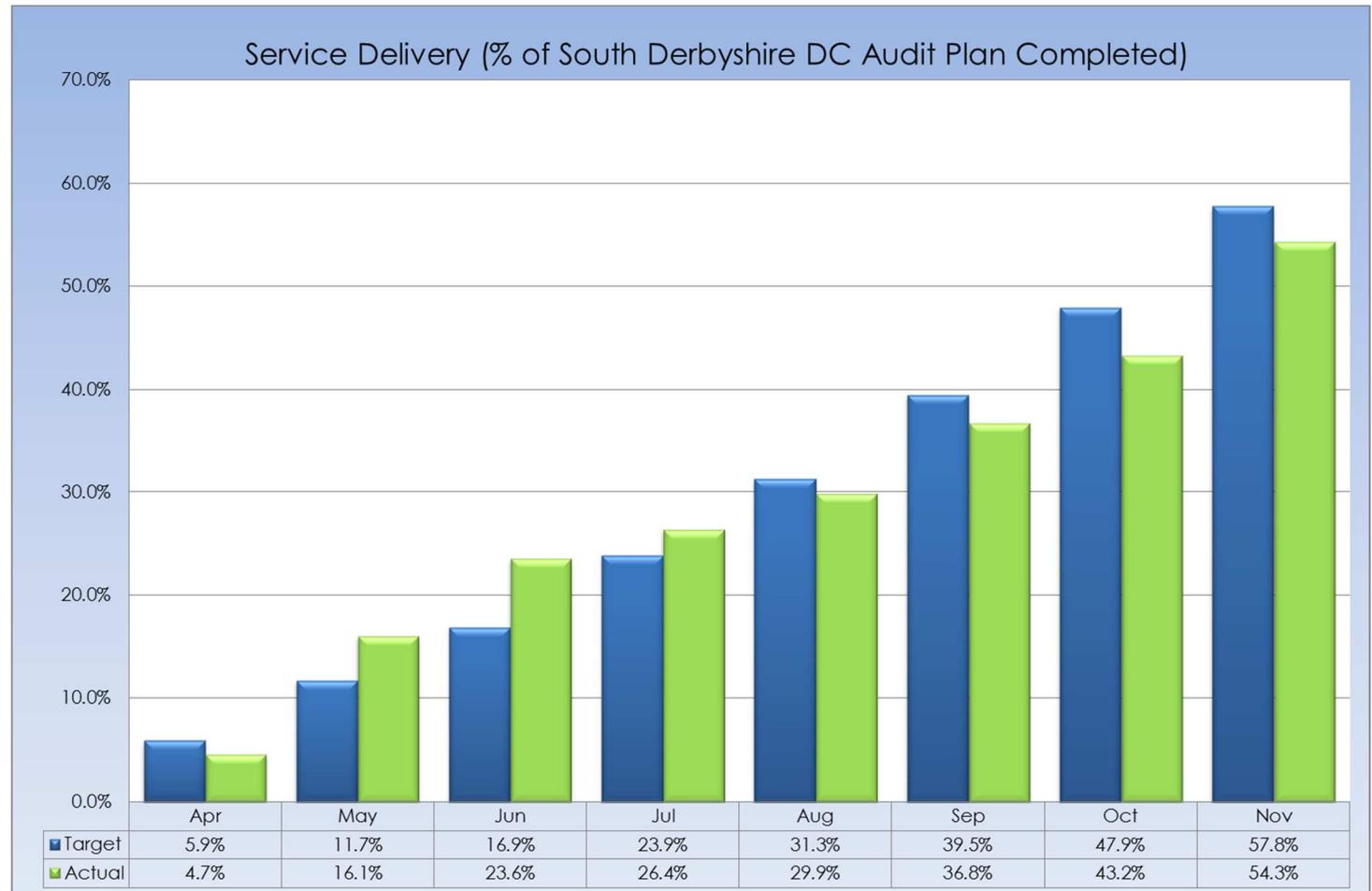
## Audit Performance

### 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 8 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	456	12	13	6	0	6	<b>493</b>
Moderate Risk	94	5	2	4	1	0	<b>106</b>
Significant Risk	7	0	0	0	0	0	<b>7</b>
Critical Risk	0	0	0	0	0	0	<b>0</b>
	<b>557</b>	<b>17</b>	<b>15</b>	<b>10</b>	<b>1</b>	<b>6</b>	<b>606</b>

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	13	3	1	<b>17</b>
Action Due	1	0	0	<b>1</b>
	<b>14</b>	<b>3</b>	<b>1</b>	<b>18</b>

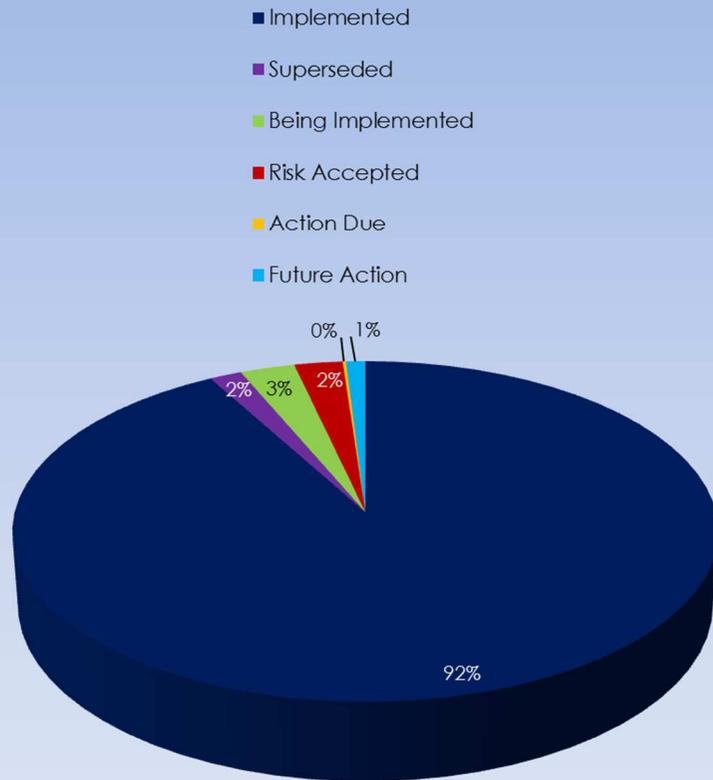
Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. As stated earlier in this report, we will now only provide full details of each moderate, significant or critical 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

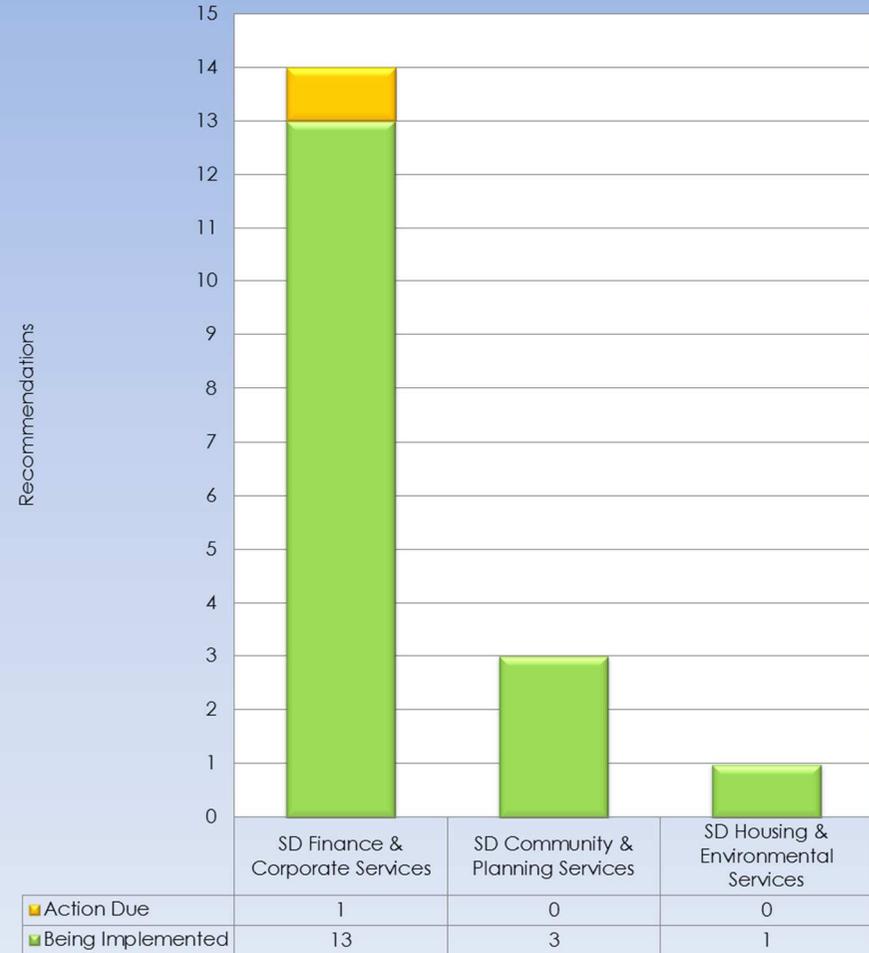
## Recommendation Tracking

### Implementation Status Charts

Action Status of Recommendations made between 1 Oct 2010 and 30 Nov 2016



South Derbyshire - Recommendations Not Yet Implemented by Department



# 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. Further request for a 12 month extension due to NDR revaluation taking priority.

**Original Action Date** 31 Dec 14      **Revised Action Date** 31 Oct 17

##### 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** – Recruitment to the DCC Fraud Service has now been completed and the new team established, which the Council will be buying into. It is planned to develop a Fraud Plan in conjunction with the Annual Audit Plan which will be reported to the Committee on 29<sup>th</sup> March 2017.

**Original Action Date** 31 Dec 15      **Revised Action Date** 29 Mar 17

##### Information@Work

**Control Issue 1** – There were 224 accounts within the SDDC\Domain Images and/or SODOR\Domain Images groups which did not have an active application account in Information@Work. This could be exploited to bypass the application and expose the highly personal and sensitive data.

**Risk Rating** – Low Risk

**Status Update** – No Response Received.

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

## South Derbyshire District Council – Internal Audit Progress Report

### Council Tax / NNDR / Cashiering 2014-15

**Control Issue 2** – 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.

Risk Rating – **Low Risk**

**Status Update** Progressing but not yet complete.

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

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### Declaration of Interest

**Control Issue 2** – A Declarations of Interest Policy did not exist and the Employee's and Members Codes of Conduct did not cover all of the expected areas within a Policy of this kind.

Risk Rating – **Low Risk**

**Status Update** Planning to put this policy before Full Council in April for approval.

**Original Action Date** 31 May 16      **Revised Action Date** 30 Apr 17

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### 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

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**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

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### 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** - I was hoping to have the BC plan closer to completion but as reported to the resilience liaison group on 23<sup>rd</sup> I intend to have the updated version available before the Christmas break. The target for completion of outstanding items (except test of the plan) is now Dec 31<sup>st</sup>. The testing is expected during early 2017. Termination of the Northgate contract has been brought forward to 31<sup>st</sup> January 2017. During early 2017 a revision of many emergency documents will be necessary to reflect this change.

**Original Action Date** 30 Sep 15      **Revised Action Date** 31 Dec 16

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## 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 of staff has started mapping the process but it became very complicated so we stopped. The government have now also told us that they have changed the report again. We think that this will mean Northgate changing their report again. We will still continue to map the process assuming that Northgate will comply. This won't be completed until the end of January 2017.

**Original Action Date** 1 Jul 15      **Revised Action Date** 1 Feb 17

## Housing & Environmental Services

### Depot Health & Safety

**Control Issue 5** – Not all managers had undergone Health and Safety training specifically geared towards managers and their responsibilities as the employer.

**Risk Rating** – Low Risk

**Status Update** - Direct Services has just undergone a restructure and new posts established due to the nature of the restructure a revised date for completion is required.

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

## Community & Planning Services

### 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

## South Derbyshire District Council – Internal Audit Progress Report

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### 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

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### Rosliston Forestry Centre

**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** – Further to the departure of the Facilities Development Officer who led on the Condition survey this action has not been followed up. However a meeting was being set up with Aurora, Forestry Commission and the Council's new Project Officer to follow up with regard to both the existing and new contract.

**Original Action Date** 31 Aug 16      **Revised Action Date** 31 Jan 17

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