



# South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 26<sup>th</sup> September 2012



## 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

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## 1 Summary

### Role of Internal Audit

The Internal Audit Service for South Derbyshire District Council is now 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 CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006). CMAP also adheres to the Internal Audit Terms of Reference.

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

## 2 Audit Coverage

### Progress on 2011-12 Audit Plan Assignments

Between 1<sup>st</sup> June 2012 and 31<sup>st</sup> August 2012, Internal Audit has spent a total of 10.25 days on 2011-12 audit reviews that have been brought forward into South Derbyshire's 2012-13 Audit Plan. The time spent can be broken down as follows:

2011-12 Audit Assignments Carried Forward	Current Status	Days Spent
Housing & Council Tax Benefits	Final Report	0.50
Payroll	Draft Report	3.75
Financial Systems: Creditors & Debtors	Final Report	1.00
HR Policies & Pre-employment Checks	Already Reported	-
Planning Services	Final Report	0.25
Rosliston Forestry Centre	Already Reported	-
Academy IT System Security	Already Reported	-
Accounting Systems	Final Report	4.75
	<b>Total Days</b>	<b>10.25</b>

The following 2011-12 audit assignments have been finalised since the last Progress Report was presented to this Committee:

- Housing & Council Tax Benefits.
- Financial Systems: Creditors & Debtors.
- Planning Services.
- Accounting Systems.

All of the audits finalised during the period attracted either a 'Comprehensive' or 'Reasonable' Control Assurance Rating. Accordingly there is no requirement to draw Committee's particular attention to any of the summaries that follow:

### Housing & Council Tax Benefits Audit

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the systems of internal control to provide assurance that the management of the Benefits services were adequate and that claims received were being promptly and accurately processed, in accordance with regulations, DWP guidance and Council policy and procedures.

From the 55 key controls evaluated in this audit review, 51 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations of which 3 were considered a low risk and 1 was considered a moderate risk. The following issues were considered to be the key control weaknesses:

- A local procedure manual had not been developed to ensure that consistent practices were adopted for the processing and recording of claims.
- Staff training records were not being maintained to demonstrate that individuals had received the necessary support and guidance to effectively undertake their duties.
- Not all of the Housing and Council Tax Benefit information on the Council's website was up-to-date.
- We found a number of cases of self-employed applicants, where the standard pro-forma documents used to record the calculation were not present in the Document Image Processing (DIP) system..

All 4 of the control weaknesses raised within this report were accepted and positive action had already been taken to address 2 of the recommendations, with 1 recommendation being addressed by 1<sup>st</sup> December 2012 and the remaining recommendation being addressed by 30<sup>th</sup> June 2013.

## South Derbyshire District Council – Internal Audit Progress Report

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### 2 Audit Coverage (Cont.)

#### Financial Systems: Creditors & Debtors Audit

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the controls in operation which ensured that only legitimate creditors were paid and transactions were correctly recorded in the Council's accounts. Also, controls were examined which ensured that debtor invoices were accurate, income received was correctly recorded in the accounts, debt recovery processes were in place and adhered to and adequate controls were in place for the review of aged debtors.

From the 25 key controls evaluated in this audit review, 18 were considered to provide adequate control and 7 contained weaknesses. The report contained 7 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- There was no independent check that new supplier accounts and any changes to existing accounts had been set up correctly and were legitimate.
- Requests to amend supplier account bank details were made without independent confirmation from the supplier.
- The debt recovery policy and procedures had not been reviewed since the introduction of a new version of the accounting system and changes to key personnel.
- It was not always possible to determine if invoices had been raised promptly as the dates of supply of the goods or services were often missing. Payments for some services were not being collected in advance as required.
- Periodic statements were not being sent to appropriate debtors to allow them to confirm the transactions and balances on their accounts.

- Departmental managers were not being provided with unpaid debt reports. Accordingly, they may not have been aware of the levels of debt within their sections and may have continued to provide services to debtors.
- No-one independent of the process checked that each write-off processed in the computer system was legitimate and correct which could lead to undetected fraud or error.

All 7 of the control issues raised within this report were accepted and positive actions in respect of all recommendations were to be completed by 31<sup>st</sup> August 2012.

#### Planning Services Audit

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the controls in operation over the collection of income from Planning, Building Control and S106 Agreements.

From the 22 key controls evaluated in this audit review, 19 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations which were all considered a low risk. The following issues were considered to be the key control weaknesses:

- The Building Control Section had not been notified of unpaid invoices, to enable them to withhold services from long standing debtors, to minimize Council debts.
- Reconciliations were not being undertaken to check whether all building control fee income due had been received.
- The S106 database was not being updated when part payments against S106 obligations were being made, which meant that the level of fees showing as outstanding was overstated in the records.

# South Derbyshire District Council – Internal Audit Progress Report

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## 2 Audit Coverage (Cont.)

All 3 of the control issues raised within this report have been accepted and positive action will be taken to address the issues raised by 1<sup>st</sup> September 2012.

### Accounting Systems Audit

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing the key financial systems of treasury management, the main accounting system and feeder systems with a view to providing assurance that these systems were operating effectively and providing an acceptable level of control.

From the 35 key controls evaluated in this audit review, 23 were considered to provide adequate control and 12 contained weaknesses. The report contained 8 recommendations, 7 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:

- Financial Regulations and Financial Procedure Rules held on the Council's Intranet had not been dated or allocated with version control numbers to ensure that the latest versions were in use.
- Office procedure manuals were not being maintained in Accountancy.
- The process for the creation and deactivation of account codes within Accountancy had not been formalised.
- Import files were not accompanied with control totals for checks to be undertaken to ensure that the correct values had been imported into the Agresso system.
- Journals originating within Accountancy were being raised and processed directly on the Agresso system and did not follow the workflow process which required journals to be authorised.

- Un-cashed cheques to the value of £192,617.41 had accumulated on the Payments Account, dating back to January 2009. These Council issued cheques had yet to be banked (following a period of six months) and the commitment was still live on the system.
- The Agresso system did not enforce password changes on a regular basis.
- Checks undertaken to ensure that interest due on investments had been correctly calculated and received and checks undertaken to ensure that interest payments had been correctly calculated and paid had not been clearly evidenced.

All of the 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 1 recommendation had already been taken, 5 recommendations were due to be addressed by the end of December 2012, another 1 was due to be addressed by the end of March 2013, and the remaining recommendation was due to be addressed by the end of June 2013.

### Remaining 2011-12 Audit Assignments

In the coming weeks, we are scheduled to issue the final report on Payroll.

# South Derbyshire District Council – Internal Audit Progress Report

## 2 Audit Coverage (Cont.)

### Progress on 2012-13 Audit Plan Assignments

Between 1<sup>st</sup> June 2012 and 31<sup>st</sup> August 2012, Internal Audit has spent a total of 76.75 days on 2012-13 audit reviews and other audit work. The time spent can be broken down as follows:

2012-13 Audit Assignments	Current Status	Days Spent
Health & Safety	Final Report	2.75
PCI Compliance	Final Report	4.50
Safeguarding	Final Report	6.00
Waste Management	In Progress	0.25
Main Accounting / Budgetary Control etc.	Not Started	-
Treasury Management / Insurance	Allocated	-
Council Tax / NNDR / Cashiering	Not Started	-
Housing & Council Tax Benefit	Not Started	-
Payroll / Officers Expenses & Allowances	Not Started	-
Creditors / Debtors	Not Started	-
Fixed Assets	Allocated	-
Procurement	In Progress	10.50
Service Contracts	In Progress	4.00
Risk Management	Final Report	10.75
Data Quality & Performance Management	Not Started	-
Anti-Fraud & Corruption (NFI, etc.)	In Progress	4.75
IT Application	Not Started	-
IT Infrastructure	Not Started	-
People Management	In Progress	11.25
Housing Contract	In Progress	3.50
Audit Sub Committee / Follow-ups	Ongoing	6.00
Advice / Emerging Issues etc.	Ongoing	12.50
External Audit / Audit Planning	Ongoing	-
<b>Total Days</b>		<b>76.75</b>

The following 2012-13 audit assignments have been finalised since the last Progress Report was presented to this Committee:

- PCI Compliance.
- Health & Safety.
- Risk Management.
- Safeguarding.

### PCI Compliance Audit

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing non-IT issues relating to Payment Card Industry Data Security Standard (PCI DSS) compliance.

From the 9 key controls evaluated in this audit review, 5 were considered to provide adequate control and 4 contained weaknesses. The report contained 5 recommendations, 3 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:

- Written procedural guidance notes were not in place to outline the processes for working on the cashier's desk on a day-to-day basis.
- Staff working on the cash desks had not received training or guidance on how to identify suspect payment cards, what action to take if they have suspicions and what support was available from the banks.
- The factory set default PIN for the PDQ machines had not been changed since the new machines were installed in October 2011. Potentially, a cashier could process and authorise a refund without a second officer's intervention which breached office procedures.
- Routine checks on the environment and equipment supporting card reader devices were not being performed in all Council establishments and the checks being undertaken were not being recorded.

# South Derbyshire District Council – Internal Audit Progress Report

## 2 Audit Coverage (Cont.)

- There was no policy that determined at what times and from where staff processing payments on the customer's behalf could access the administrative side of the payment application.

All 5 of the control issues raised within this report were accepted and positive action was to be taken to address 3 of the issues raised by 20<sup>th</sup> July 2012, with the remaining 2 issues addressed by 31<sup>st</sup> August 2012.

### Health & Safety Audit

Overall Control Assurance Rating: **Comprehensive**

This audit focused on ensuring that the Council is operating in accordance with Health & Safety legislation (Health & Safety at Work Act 1974) and that the corporate profile of Health & Safety is awarded sufficient priority throughout the Council. It also sought to ensure that Health & Safety training is delivered to employees and that routine, departmental inspection and audits are carried out on a regular basis.

From the 39 key controls evaluated in this audit review, 34 were considered to provide adequate control and 5 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:

- Details relating to the 24/7 Northgate Health & Safety advice line were not readily accessible.
- The Health & Safety training course programme did not provide details of the course aims and objectives.
- There was no formal mechanism in place for identifying and reporting those employees who failed to attend compulsory Health & Safety training courses.
- There were no established performance indicators to monitor the performance of Health & Safety.

- The reference number, issued by the HSE when reporting an accident was not recorded on the accident report form.
- Policies and guidance notes were not all dated to evidence their date of production or latest review.

All 6 of the control issues raised within this report were accepted and positive action was to be taken to address 4 recommendations by 31<sup>st</sup> October 2012; with the 2 remaining recommendations being addressed by 30<sup>th</sup> April 2013.

### Risk Management Audit

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the risk management arrangements in place at the Council, to ensure that there is a robust control framework to identify, monitor and manage risks at both a strategic and an operational level.

From the 35 key controls evaluated in this audit review, 25 were considered to provide adequate control and 10 contained weaknesses. The report contained 8 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The Risk Management Strategy was last reviewed and approved in March 2010. The review should be undertaken at least annually, as per the Strategy.
- Risks were not linked to the strategic objectives of the Council.
- Oversight of individual key corporate risks had not been assigned to appropriate managers.
- There was not a documented policy or procedure for reporting and management of incidents.
- The Council has not considered and documented its risk appetite.



# South Derbyshire District Council – Internal Audit Progress Report

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## 2 Audit Coverage (Cont.)

- There was insufficient reporting to the Council and its Committees on risk throughout the year.
- Risk and risk management were not adequately addressed in papers to Council and Committees.
- Key risk management information was not accessible to staff.

All 8 control issues raised in this report were accepted. One control issue had already been addressed and positive action was agreed to address 6 of the recommendation by the end of December 2012 with the remaining control issue being addressed by the end of March 2013.

### Safeguarding Audit

Overall Control Assurance Rating: **Reasonable**

This audit focused on evaluating the adequacy of the governance arrangements in place to ensure a strategic approach to safeguarding.

From the 9 key controls evaluated in this audit review, 4 were considered to provide adequate control and 5 contained weaknesses. The report contained 5 recommendations, 2 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:

- An initial action plan had been formulated to support the implementation of the Council's safeguarding Children and Vulnerable People Policy approved in December 2008, but there was no evidence to indicate that the progress being made on achieving these targets had been monitored and formally reported.
- It was unclear as to exactly what the boundaries of responsibility were between the Council and Northgate Public Services for ensuring the review, update, implementation and monitoring progress of the Council's Safeguarding Children and Vulnerable People Policy.

- There was not a formal framework of support workers in place to assist the named safeguarding lead officers with the delivery of the Council's Safeguarding Children and Vulnerable People Policy.
- The Council's internal governance arrangements did not have in place a corporate safeguarding group to coordinate and monitor the implementation of the Council's Safeguarding Children and Vulnerable People policy.
- Although the Council had a system namely, 'My View' that was used by staff and management to request and log all training courses that had been attended, it was not properly updated to produce an accurate report detailing the safeguarding training courses attended by Council employees to help management to assess training needs.

All 5 of the control issues raised within this report were accepted and positive action in respect of 3 of the recommendations was to be completed by 30<sup>th</sup> September 2012, 1 recommendation was to be completed by 30<sup>th</sup> November 2012 and the remaining 1 was to be completed by 30<sup>th</sup> June 2013.

### Audit Plan Changes

At the request of Head of Corporate Services, the work planned on Housing Repairs has been diverted to looking at the recent tender process for the Housing Contract.

# South Derbyshire District Council – Internal Audit Progress Report

## 3 Audit Performance

### Customer Satisfaction

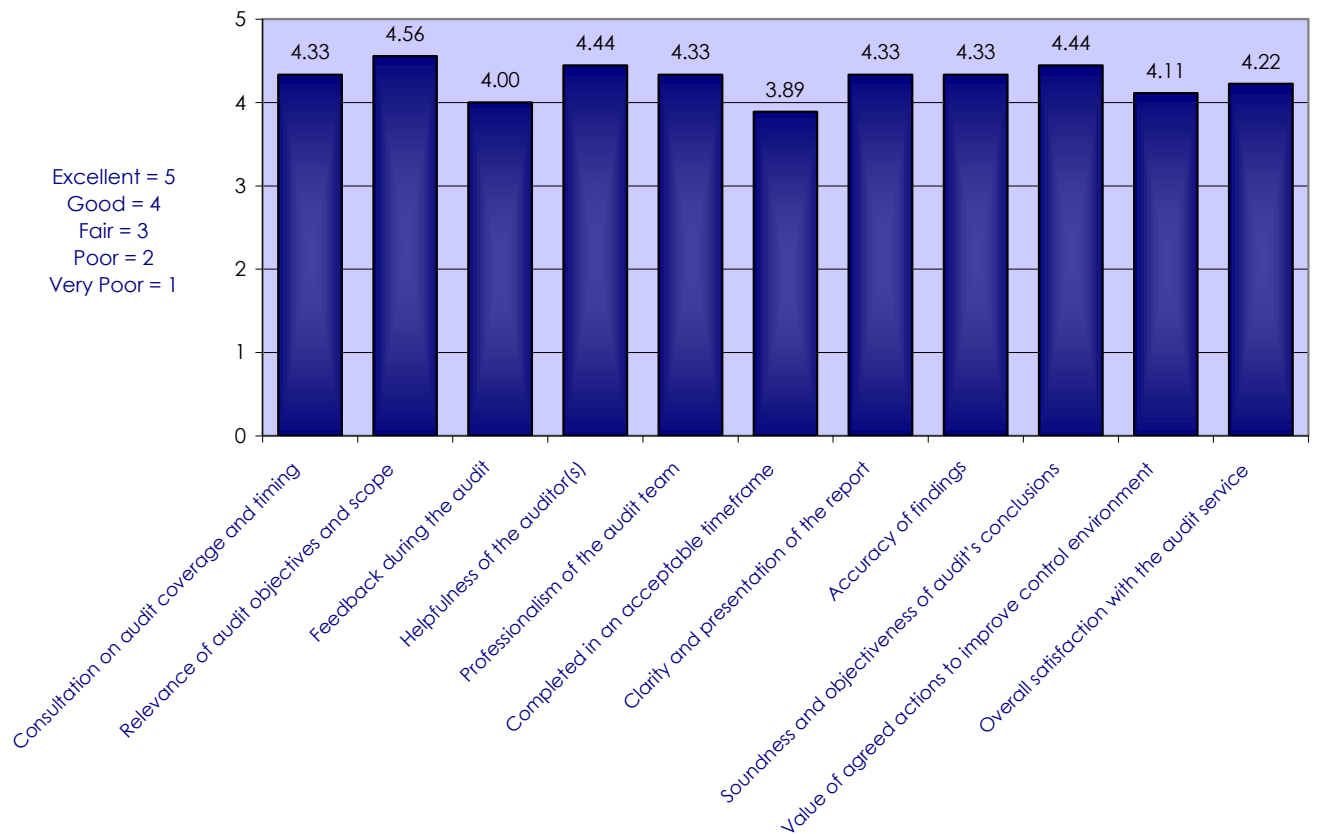
The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. Appendix A summarises the average score for each category from the 11 responses received. The average score from the surveys was 46.7 out of 55. The lowest score received from a survey was 42, while the highest was 54.

The overall responses are graded as either:

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

Overall 8 of 14 responses categorised the audit service they received as excellent, another 6 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  
 CMAP - Customer Satisfaction Survey Results between 1st February 2011 and 31st August 2012



# South Derbyshire District Council – Internal Audit Progress Report

## 3 Audit Performance (Cont.)

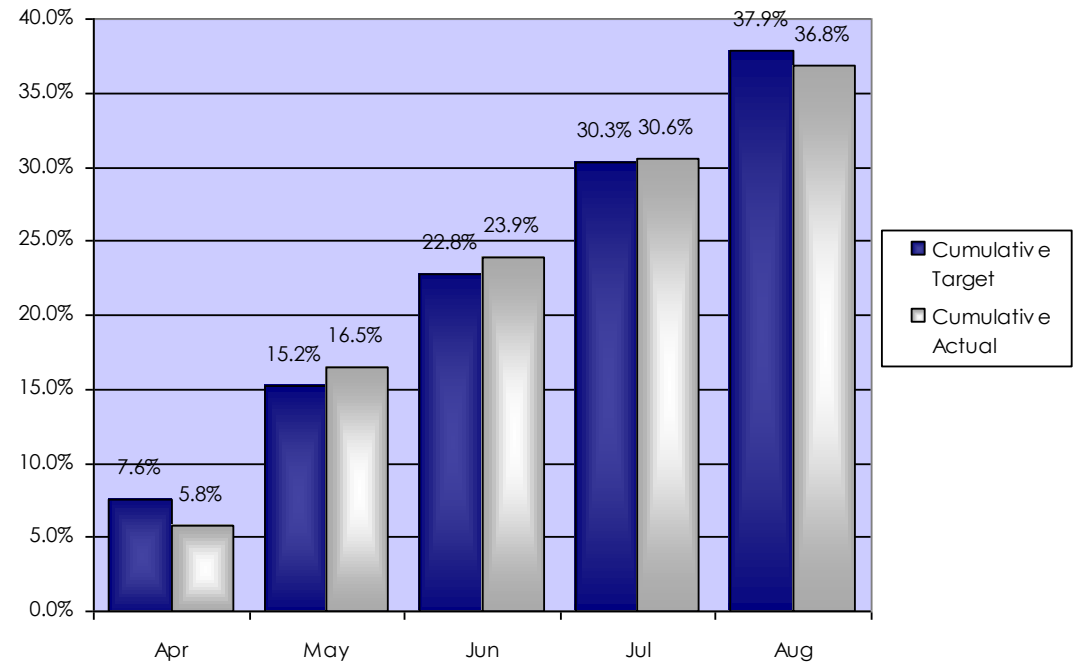
### Service Delivery (% of Audit Plan Completed)

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 2012-13 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.

Central Midlands Audit Partnership  
**Service Delivery** (% of South Derbyshire DC Audit Plan Completed)



2012-13

# South Derbyshire District Council – Internal Audit Progress Report

## 4 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.
- **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.
- **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)
- **Not Implemented** = Management has decided, on reflection, not to implement the agreed actions.

### 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. We have not included the recommendations made in audit reports issued since 1 July 2012. This is to allow time for those recommendations to have reached their agreed implementation dates.

	Implemented	Superseded	Being implemented	Not implemented	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	29	0	5	1	0	2	<b>37</b>
Moderate Risk	11	0	0	0	0	1	<b>12</b>
Significant Risk	4	0	2	1	0	0	<b>7</b>
Critical Risk	0	0	0	0	0	0	<b>0</b>
	<b>44</b>	<b>0</b>	<b>7</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>56</b>

The table below shows those recommendations not yet implemented by Department

Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Not Implemented	2	0	0	<b>2</b>
Being implemented	6	0	1	<b>7</b>
Due, but unable to obtain progress information	0	0	0	<b>0</b>
	<b>8</b>	<b>0</b>	<b>1</b>	<b>9</b>

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' with full details of each recommendation where management, on reflection, has decided not to implement the agreed actions (shown in the 'Not Implemented' category above).

# South Derbyshire District Council – Internal Audit Progress Report

## 4 Recommendation Tracking (Cont.)

### Recommendations Being Implemented

#### Corporate Services

Car Allowances			
<p><b>Control Issue</b> - 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.</p>			
<p><b>Risk Rating – Low Risk</b></p>			
<p><b>Status Update</b> - This is still under consideration. This is a longer-term issue and will not be reviewed for the foreseeable future.</p>			
Original Action Date	30 Jun 11	Revised Action Date	31 Mar 13

Legal & Democratic Services			
<p><b>Control Issue</b> - Land Charge payments received by BACS and debit cards could not be readily matched to a debtor within the Council's accounting records, because of a lack of descriptive narrative.</p>			
<p><b>Risk Rating – Low Risk</b></p>			
<p><b>Status Update</b> - Implementation of the recommendation has been delayed as it is reliant on Capita making development changes. There is currently no date or version set for this.</p>			
Original Action Date	30 Apr 12	Revised Action Date	30 Jun 12

Legal & Democratic Services			
<p><b>Control Issue</b> - No checks were undertaken by the Elections Office to ensure payments made to staff who had undertaken election duties were all present and correct.</p>			
<p><b>Risk Rating – Low Risk</b></p>			
<p><b>Status Update</b> - Hoping that election payments to staff will be via BACS through the Xpress software system and so avoid going through Northgate payroll. Awaiting the approval of the CE/RO to pursue it further.</p>			
Original Action Date	30 Nov 11	Revised Action Date	31 Jan 13

Licensing			
<p><b>Control Issue</b> - The Licensing Section did not have a comprehensive performance management framework which recognized the section's achievements and clearly demonstrated how the section was contributing to the Council's overall vision and priorities.</p>			
<p><b>Risk Rating – Low Risk</b></p>			
<p><b>Status Update</b> – The process is likely to remain as such for the next few months whilst there is a restructure and as Licensing are due to fall under a new division. To be reviewed again in 6 months.</p>			
Original Action Date	30 Sep 11	Revised Action Date	30 Sep 12

# South Derbyshire District Council – Internal Audit Progress Report

## 4 Recommendation Tracking (Cont.)

### Implementation Status Details

#### Corporate Services (Cont.)

Academy IT System Security
<p><b>Control Issue</b> - There were a number of shares on the Academy server openly accessible to Everyone with an account for the SDDC Network. Some of these shares appeared to house extracts and backup copies of data from the Academy system.</p> <p><b>Risk Rating – Significant Risk</b></p> <p><b>Status Update</b> - Sept Update: Because of concerns of the potential impact this was not done in May. Looking to do by end of October 2012, but will be done on a gradual basis. The reason for reluctance is the potential impact on business operations.</p> <p>Original Action Date    31 May 12    Revised Action Date    31 Oct 12</p>
<p><b>Control Issue</b> - The Academy Server was still running service pack 1 of Windows 2003 Server. Security updates are typically service pack dependant, so the newer security updates won't be applied to the server. Subsequently this leaves the server and the data stored within highly vulnerable to exploitation.</p> <p><b>Risk Rating – Significant Risk</b></p> <p><b>Status Update</b> - Implementation date to be completed at same time as other Academy upgrades. Will be done before end of Dec 2012.</p> <p>June Update: To be planned into a point before Dec 2012 to coincide with another point that Kip will be taken down.</p> <p>Original Action Date    31 May 12    Revised Action Date    31 Dec 12</p>

#### Housing & Environmental Services

Housing Repairs
<p><b>Control Issue</b> - The Mutual Repairs Policy had not been established, although it was referred to in the Repairs Policy.</p> <p><b>Risk Rating – Significant Risk</b></p> <p><b>Status Update</b> - The Mutual repairs policy is in draft at present, the team are currently reviewing the repairs policy with the South Derbyshire Tenants' Forum and hope to get the two documents fully consulted upon and issued by June 2012.</p> <p>Original Action Date    30 Jun 11    Revised Action Date    15 Jul 12</p>

# South Derbyshire District Council – Internal Audit Progress Report

## 4 Recommendation Tracking (Cont.)

### Not Implemented Recommendations

#### Pre-Employment Vetting Audit

##### Audit Finding

We expected that the Council would require employees, and the prospective employees, of certain financially sensitive posts to be subject to regular financial vetting.

We found that financial vetting has not been undertaken for any post. Financial checks can provide details on many aspects of a person's financial background:

- Credit information listed on current and previous addresses, including County Court Judgments (CCJs), Voluntary Agreements or bankruptcies.
- Credit history report from a credit reference agency.
- UK Directors search: to ascertain whether the applicant holds any current or previous directorships or any disqualified directorships.
- Searches against the Financial Service Authority's (FSA) Individual Register and Prohibited Persons Register.

Without financial vetting there is potential for staff in financial difficulties to undertake key roles where they have access to Council funds or could influence contracts without management's knowledge of the risk being encountered. The situation should be subject to regular review and any information highlighted should be risk assessed by management and appropriate precautions taken to protect the Council's interests.

In the same way that CRB checking employees who come into contact with children and vulnerable adults mitigates the Council's risks of employing unsuitable individuals, financially vetting those employees working in financially sensitive posts can reduce the risk of fraud, corruption or theft of Council funds.

#### Recommendation 5

Risk Rating: Low Risk

**Summary of Weakness:** The Council does not carry out financial vetting.

**Suggested Actions:** We recommend that Management determine a policy for financial vetting of employees in financially sensitive posts. Consideration should be given to:

- Designating posts as financially sensitive and keeping the designations under review.
- Determining the regularity of the vetting required to keep information up-to-date.
- Defining the checks required.
- Making specific and separate arrangements with an appropriate credit reference agency to carry out these checks.
- Updating the pre-employment information to ensure that prospective employees are made aware that the Council undertakes financial vetting.
- Including internal transfers and promotions in the financial vetting process for the specified posts.
- Updating the Code of Conduct to reflect the introduction of financial vetting.

#### Summary Response

**Responsible Officer:** David Clamp

Issue Accepted

**Agreed Actions:** To be discussed with the Council. It is considered that the approach to be taken should be in line with the competencies required for

# South Derbyshire District Council – Internal Audit Progress Report

## 4 Recommendation Tracking (Cont.)

### Not Implemented Recommendations (Cont.)

the role and pre-employment checks that are contained in the recruitment and selection procedure. Management controls are in place for any posts that have the potential to access funds/budgets which should reduce the risk of any inappropriate action by employees. It is recommended that a review of these posts is completed and local arrangements are reviewed to ensure adequate control measures are in post.

Standard CRB checks are undertaken for those with access to funds/budgets or sensitive financial information. At the time of the Audit most relevant post were with Northgate, however guidance will be reviewed for any changes.

**Implementation Date:** 31/05/2012 to be implemented by Barry Nicholls

**Update Comments:** Response from David Clamp - I have raised this recommendation with the Council and have been advised that the Council do not want to develop a separate formal Policy for financial vetting of employees in financially sensitive posts. The Council will continue to use robust checks through its current recruitment and selection procedure for all new posts. Further comment from David Clamp - The matter was raised with the Council's Senior Management Team (Frank McArdle and Mark Alflat) who requested that the issue be discussed with the Council's Section 151 Officer, Kevin Stackhouse.

### Academy IT Security Audit

#### Audit Finding

We expected that local accounts on the Academy server (SODOR\KIP) would all have associated passwords that meet best practice complexity values.

We found 8 local accounts on the server's guest operating system. We found that 2 of the 8 accounts had weak corresponding passwords set to easily guessed values. One of the accounts had a password with a composition of only 6 lower case characters. The other account with a weak password had a password composition that mirrored the username with a suffix of "..". One of the accounts with a weak password was a member of the local administrators group, whereas the other account only had basic user level permissions.

6 of the 8 accounts on the Server had non-expiring passwords. We found the Academy and administrator accounts had not had passwords changed since 2007. The Academy account had not been used to login to the Server since March 2007, and the administrator account had never logged into the Server. There are genuine reasons why enforcing password expiry on accounts can cause issues, for example accounts utilised to run a service or scheduled task, or backup operation. Where practical, using domain accounts as opposed to local accounts for administrative purposes is seen as best practice as such accounts will fall into the domain policy for password expiry, account lockout and complexity. Local accounts with non expiring passwords won't fall into the domain security policy and thus could technically remain unchanged forever.

Ingres, the database server for Academy, uses the host operating system to authenticate which users can access data within the Academy Database. By querying the iusers view within the iidbdbc database, we could view a list of all valid Ingres users. This listed the following users: administrator, academy, aisdba and ingres. Therefore, the two operating system accounts with weak passwords also had administrative access within the Database. This typically allows the account to access all data; therefore these accounts have administrative access to the operating systems and file system, as well as the Ingres Academy Database itself.



## 4 Recommendation Tracking (Cont.)

### Not Implemented Recommendations (Cont.)

Weak passwords are a primary target for attack to obtain unauthorised access to Council IT infrastructure and applications. It is an easy process to enumerate a list of local accounts on an internal member server. In the case of the Academy server, the weak passwords could allow an intruder to obtain personal and sensitive data on thousands of Benefits applicants, or cause significant issues to availability and integrity of the Academy database and application. In addition, a weak password on one server can lead to a compromise of the whole IT environment. Other password hashes can be obtained and cracked, and tried against other Systems to check for password re-use, or where Systems are built on an image, the administrator password may by default be the same for every server across the network.

#### Recommendation 3

**Risk Rating:** Moderate Risk

**Summary of Weakness:** Two of the local accounts on the Academy Server were found to have weak corresponding passwords. One of these accounts was a member of the local administrators group.

**Suggested Actions:** We recommend that management review the impact of changing the passwords, and where practical strengthen the passwords in line with best practice complexity rules. The minimum requirements for password complexity should be a password length of at least 10 characters, with a composition of 3 of the 4 character sets (a..z, A..Z, 0..9, !..\*). Also, each account should be reviewed to determine why a local account with a non-expiring password is necessary. Where the password non-expiry is not required, a password expiry or domain account should be utilised. Where accounts are found to no longer serve a business purpose, they should be removed to reduce the attack surface against the server and sensitive data.

#### Summary Response

**Responsible Officer:** Kevin Stackhouse

Issue Accepted

**Agreed Actions:** As recommendation 1, this will need to be undertaken after liaison with the software supplier to assess the impact.

Nick Edwards - Discuss with supplier and assess risk of changing passwords.

**Implementation Date:** May 2012

**Update Comments:** Response from Nigel Glossop - Potential risk to Academy working if changed. These passwords are the standard passwords used to set up the system by the Supplier (Capita). Advice has been taken from Capita and their guidance is that Customers will keep these static and not change them. The implications / potential issues of changing the passwords has been considered and this would cause more issues than would be resolved. On evaluation it is considered that the risk is acceptable.