

# South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 23<sup>rd</sup> September 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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# South Derbyshire District Council – Internal Audit Progress Report

## Summary

### Role of Internal Audit

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

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

### Recommendation Ranking

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

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

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

### Control Assurance Definitions

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

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

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

# South Derbyshire District Council – Internal Audit Progress Report

## Audit Coverage

### Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 31<sup>st</sup> August 2015.

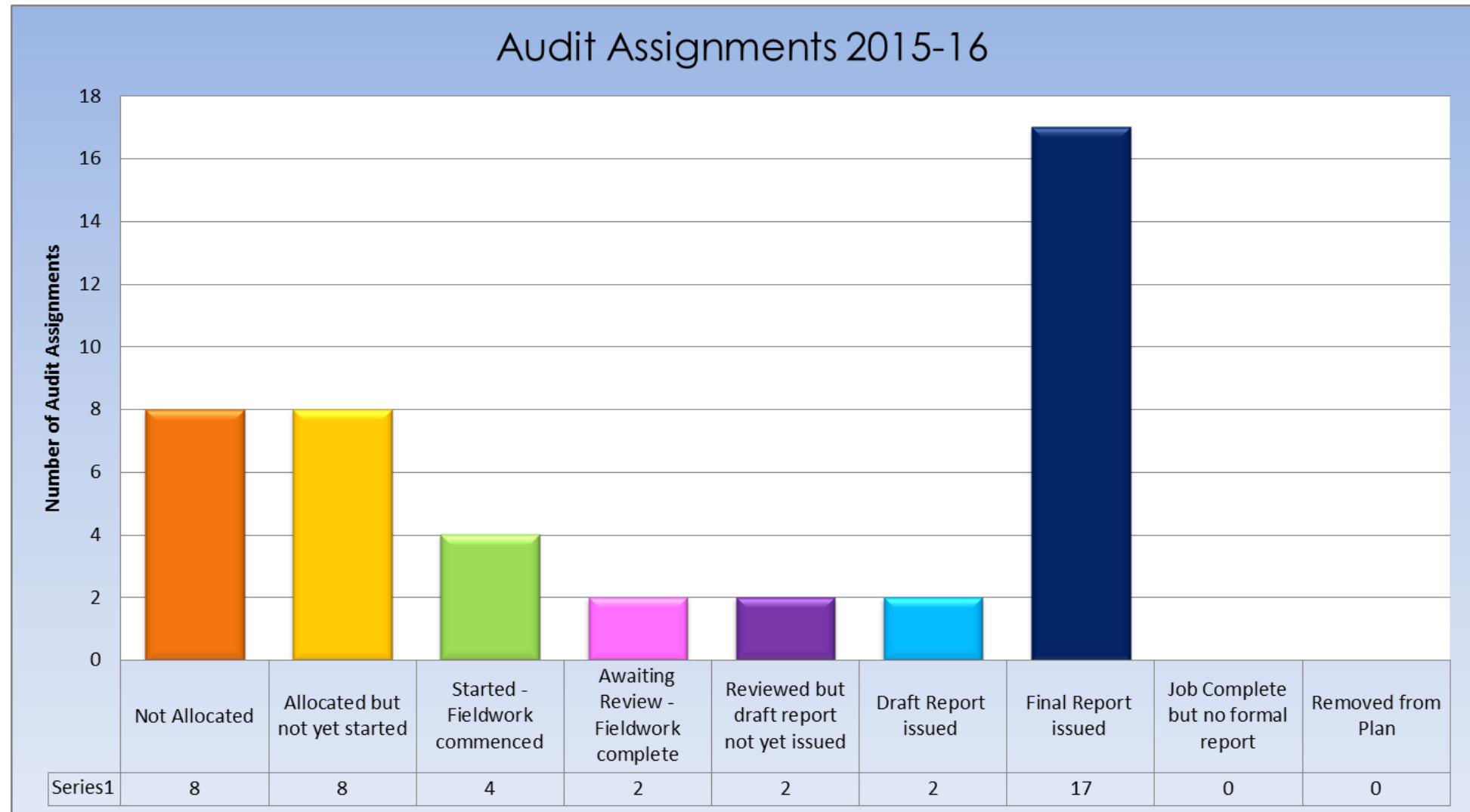
<b>Audit Plan Assignments</b>	<b>Type of Audit</b>	<b>Current Status</b>	<b>% Complete</b>
Main Accounting System (MTFP) 2015-16	Key Financial System	Allocated	5%
Treasury Management / Insurance 2015-16	Key Financial System	Allocated	0%
Payroll / Officers Expenses & Allowances 2015-16	Key Financial System	Allocated	0%
People Management	Systems/Risk Audit	Awaiting Review	80%
Change & Configuration Management	IT Audit	In Progress	65%
Corporate Governance	Governance Review	Allocated	5%
Declarations of Interest	Governance Review	Reviewed	90%
Data Quality & Performance Management 2015-16	Governance Review	In Progress	20%
Commercial Rents	Systems/Risk Audit	Final Report	100%
Land Sales	Systems/Risk Audit	Allocated	5%
Development Control	Systems/Risk Audit	In Progress	5%
Rosliston Forestry Centre	Systems/Risk Audit	Allocated	5%
Rechargeable Repairs	Systems/Risk Audit	Final Report	100%
Rent Accounting	Systems/Risk Audit	In Progress	45%
Income & Tenancy Management	Systems/Risk Audit	Allocated	10%
Sheltered Housing	Systems/Risk Audit	Draft Report	95%
Grounds Maintenance	Systems/Risk Audit	Draft Report	95%
Street Cleansing	Systems/Risk Audit	Awaiting Review	80%
Warden Controlled Services	Systems/Risk Audit	Allocated	5%
Insurance 2014-15	Key Financial System	Final Report	100%
Payroll / Officers Expenses & Allowances 2014-15	Key Financial System	Final Report	100%
Capacity Management	IT Audit	Final Report	100%
Electoral Services	Systems/Risk Audit	Final Report	100%
Planning & Building Control Fees	Systems/Risk Audit	Final Report	100%
Waste Management (Collection, Trade, Recycling)	Systems/Risk Audit	Final Report	100%
Data Protection & Freedom of Information	Governance Review	Final Report	100%
Cash Office Discrepancy	Investigation	Reviewed	90%

Another 8 planned assignments (not shown above) have yet to be allocated. Also, 8 assignments brought forward from the 2014-15 Audit Plan (not shown above) have been finalised and have already been reported to this Sub-Committee.

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### 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> June 2015 and 31<sup>st</sup> August 2015, 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):

- Commercial Rents (**Comprehensive**).
- Rechargeable Repairs (**Reasonable**).
- Insurance (**Comprehensive**).
- Officers Expenses & Allowances (**Reasonable**).
- Capacity Management (**Limited**).
- Elections (**Reasonable**).
- Planning & Building Control Fees (**Comprehensive**).
- Waste Management (**Comprehensive**).
- Data Protection & Freedom of Information (**Reasonable**).

The audit assignment relating to Capacity Management attracted a 'Limited' control assurance rating and as such is brought to the Sub-Committee's attention.

In recent months, the organisation has demonstrated a higher appetite for risk which has resulted in Management taking decisions not to take mitigating actions to address certain control weaknesses we have identified. Internal Audit acknowledges Management's responsibility to only take appropriate and proportionate actions to mitigate risks.

Accordingly, we no longer intend to provide full details of any Low risk recommendations where management has decided not to take any mitigating actions. These will still be highlighted to this Committee in the assignment summaries provided in these Progress reports. However, we will continue to provide full details of any Moderate, Significant or Critical risk issues where management has decided not to take any mitigating actions.

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

### Commercial Rents

#### Overall Control Assurance Rating: **Comprehensive**

This audit focused on the adequacy of the processes in place to ensure the commercial property database was complete, formal agreements are in place and the rental charges are collected completely and properly accounted for.

From the 24 key controls evaluated in this audit review, 18 were considered to provide adequate control and 6 contained weaknesses. The report contained 4 recommendations, which were all considered a low risk. The following issues were considered to be the key control weaknesses:

- Information management reports were not being routinely produced from the CIPFA Property Asset Manager database for the purposes of monitoring and analytical review. (**Low Risk – Risk Accepted**)
- Rental reviews were not being performed until the end of the lease agreement. Nor were they being properly documented and approved. We also found that not all lease agreements contained a specific clause on rent reviews. (**Low Risk**)
- A high proportion of commercial property leases had expired and were 'holding over' (31 of 73). Procedures did not readily identify and prioritise leases for renewal. (**Low Risk**)
- Two commercial properties, from a sample of 20 lease agreements, had not been listed on the Council's insurance portfolio document. Checks were not being undertaken to verify all commercial properties were appropriately covered. (**Low Risk**)

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All 4 of the control issues raised within this report were accepted and positive actions were agreed to address 3 of them by 30<sup>th</sup> September 2015. In respect of the remaining low risk issue, Management has decided not to take any mitigating action and has chosen to accept the risk.

## Rechargeable Repairs

Overall Control Assurance Rating: **Reasonable**

This audit focused on the systems of internal control for recouping money from Council tenants for rechargeable repairs, to provide assurance that systems were operating effectively and providing an acceptable level of control, in order to satisfy the requirements of the Audit Sub-Committee and External Audit.

From the 31 key controls evaluated in this audit review, 22 were considered to provide adequate control and 9 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:

- The Repairs Policy and other Council policies and procedures within the Housing & Environmental Services directorate had not been reviewed and/or updated within an acceptable timeframe. (**Low Risk**)
- Suitable evidence was not being retained to support the invoice requests to recover the costs of rechargeable repairs. (**Low Risk**)
- Invoices were being raised for rechargeable repairs prior to the works being undertaken and signed-off, so any additional costs incurred while conducting the works were not included. (**Low Risk**)
- Although the Housing Administration Officer had been actively chasing information required to facilitate the invoicing of rechargeable repairs, records had not been maintained on the Orchard system to evidence the problems encountered and the actions taken. (**Low Risk**)

- An invoice for rechargeable repairs had been raised for an incorrect value, due to the 10% Administration fee not being added. (**Low Risk**)
- Management information concerning rechargeable repairs was not being reported within the Council to flag monies owing from tenants/previous tenants. (**Low Risk**)
- The Sundry Debtor Credit Control Policy had not been reviewed and/or updated since September 2009. (**Low 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 4 recommendations were due to be undertaken by 31<sup>st</sup> August 2015, another recommendation is due to be implemented by 30<sup>th</sup> September 2015, a further recommendation is due to be addressed by 30<sup>th</sup> November 2015 and the remaining recommendation is due to be implemented by 31<sup>st</sup> December 2015.

## Insurance

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the Council's insurance arrangements, the policies in place, the claims made and the premiums recharged.

From the 17 key controls evaluated in this audit review, 15 were considered to provide adequate control and 2 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:

- There were three examples of claims where the supporting information had not been retained or could not be located on the Finance network, although each had received settlement payments. (**Low Risk**)
- A Claims Update worksheet was being maintained by the Finance Officer, and a note was entered on the sheet where progress had been made on a claim. However, some of these updates had not been dated so it was not possible to clarify when these had taken place. (**Low Risk**)

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- The Council's main website did not provide any guidance or claim forms for use by members of the public. (**Low Risk**)

All 3 issues raised within this report were accepted. Positive action was agreed to address one of the issues raised by 1<sup>st</sup> June 2015, another by 1<sup>st</sup> July 2015 with action being taken to address the remaining issue by the end of October 2015.

### Officers Expenses & Allowances

#### Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that robust systems were in place regarding the payment of expenses and allowances claimed for reimbursement by officers at the Council.

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

- Although it required officers to certify that their vehicle was insured for business use, the Claim for Payment of Car Allowance forms did not provide for the officer to confirm that their vehicle met all the necessary requirements in respect of the MOT certificate, road tax and condition of vehicle. (**Low Risk**)
- Not all mileage claim forms had been submitted to the Council's Financial Services Section and not all expense claim forms submitted by officers for reimbursement were supported by a valid receipt to substantiate the expenditure incurred. (**Low Risk**)
- The Council's Expenses Policy and Guidance on Claiming Expenses did not accurately reflect current practices, especially in relation to payments for rail travel. (**Low Risk**)
- There was no screen prompt to remind employees to deduct home to office mileage. Reliance was instead placed on employees remembering to deduct the relevant amount and Line Managers remembering to ensure the mileage amounts being claimed were accurate. (**Low Risk**)

- Not all expense claim forms had been subject to an arithmetical check to ensure the amounts claimed were accurate. (**Low Risk**)
- Expense claims were identified which had not been claimed in accordance with Council policy. (**Low Risk**)
- Purchases made and received by an officer allocated a corporate Barclaycard had not been reviewed by a second officer or approved for payment. (**Low Risk**)

All 7 issues raised within this report were accepted. Action was agreed to be taken to address 4 of the issues raised by 30<sup>th</sup> September 2015 with action being taken to address a further 2 issues by 31<sup>st</sup> October 2015. The remaining issue was agreed to be addressed by 29<sup>th</sup> January 2016.

### Capacity Management

#### Overall Control Assurance Rating: **Limited**

This audit focused on the Council's capacity management policies and procedures. Capacity management is an IT service management process, which aims to ensure that IT capacity meets current and future requirements of the Council, in a cost-effective manner. At an IT capacity management level, capacity management is further broken down into 2 sub-processes, including service capacity management, and component capacity management. This audit did not focus on the 3rd sub-process of capacity management, which is business capacity managed, as that extends beyond the scope of IT.

From the 19 key controls evaluated in this audit review, 1 was considered to provide adequate control and 18 contained weaknesses. The report contained 7 recommendations, 3 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:

- There were no formally documented policies and procedures specific to capacity management. Lack of formal policies and procedures can ultimately lead to unnecessary purchasing of additional IT capacity, running out of IT capacity affecting service availability, and ineffective capacity acquisition cycles affecting the progress of IT projects and developments. (**Moderate Risk**)

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- The Council had not established capacity management plans for all critical IT services. Without establishing capacity plans for critical IT services, there is a risk that the Council could run out of capacity resources leading to service outages of critical IT services, or unacceptable performance, impacting service delivery. (**Moderate Risk**)
- There were a number of virtual and host servers with dangerous storage utilisation and memory utilisation statistics. Allowing production systems to exceed high risk capacity thresholds without following capacity plans can lead to performance, availability and reliability issues for business critical IT services. (**Moderate Risk**)
- The Council had not deployed capacity or performance monitoring tools and alerting procedures for network devices and IT service components, which could lead to serious capacity and performance related issues or trends being missed, leading to service outages or performance issues, impacting on Council service delivery. (**Low Risk**)
- No detailed capacity reports and reporting procedures had been defined or produced. Well defined and formatted capacity reports demonstrate the value the capacity team is having on service performance, availability and up time, and can allow the Council to identify risks and trends specific to the utilisation of capacity within the IT infrastructure. (**Low Risk**)
- The Council had not implemented a central CMIS (capacity management information system), for storing utilisation data, capacity data, capacity plans or capacity reports. Lack of a CMIS can impact on incident resolution times specific to capacity and performance incidents, ineffective process integration, and an inability able to make effective and accurate decisions and reports on capacity related issues. (**Moderate Risk**)
- Responsibility for the operational aspects of capacity management did not appear to have been formally assigned to dedicated roles or IT officers in other roles. Failure to assign responsibility for key capacity management operational roles

such as capacity service owner, capacity analyst, capacity data management and capacity planning, inevitably leads to ineffective and incomplete capacity management procedures. (**Low Risk**)

All 7 of the issues raised were accepted. Positive actions were agreed to address the 4 moderate risk issues by 27<sup>th</sup> February 2016, 26<sup>th</sup> March 2016, 30<sup>th</sup> October 2015 and 29<sup>th</sup> January 2016 respectively and 1 low risk issue by 27<sup>th</sup> February 2016, with the remaining 2 low risk issues by 26<sup>th</sup> November 2016.

### Elections

#### Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that payments to staff were in accordance with the duties allocated to them and paid at an approved rate of pay. The audit also sought to ensure that appropriate arrangements had been put in place for the expenditure incurred in respect of the May 2014 European Election.

From the 23 key controls evaluated in this audit review, 11 were considered to provide adequate control and 12 contained weaknesses. The report contained 12 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Not all staff had signed acceptance of appointment forms in respect of the duties that they had been reimbursed for. (**Low Risk**)
- Rates of pay for reimbursement to staff undertaking election duties had not been formally documented or agreed. (**Low Risk**)
- Not all staff awarded reimbursement of mileage incurred during the election day had completed and signed an official claim form. (**Low Risk**)
- The Acting Elections Officer/Deputy Local Returning Officer had administered and authorised payments to staff including her own payment. (**Low Risk**)
- Clerical fees paid to staff were not adequately documented and approved to justify the amounts paid. (**Low Risk**)

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- The Local Returning Officer had been paid their fee in full rather than in the staged payments stipulated by the Cabinet Office. (**Low Risk**)
- Not all the election duties undertaken by the close family and friends of the Local Returning Officer or their Deputy had been clearly documented. (**Low Risk**)
- A formal letter of appointment had not been prepared and approved to appoint the Deputy Local Returning Officer to their role. (**Low Risk**)
- Not all narratives on supplier invoices were sufficiently clear in order to determine that the cost had been incurred in respect of the European Election. (**Low Risk**)
- Documents to support election expenditure were being collated and stored by the Elections Office, the Accountancy Team and an officer external to the Council. This made the system for the collation of election information disjointed and prone to errors. (**Low Risk**)
- The Council had not opened a separate bank account in respect of election expenditure and monetary advances received. (**Low Risk - Risk Accepted**)
- Not all invoices relating to election expenditure had been checked for validity and numerical accuracy. (**Low Risk**)

All 12 issues raised within this report have been accepted. Positive action had already been taken to address 11 of the issues raised during the May 2015 election process. One recommendation was not implemented regarding the operation of a separate elections bank account. The Council has accepted the issue raised, but instead opted to control election transactions within the Council's financial system, but with separate cost codes.

### Planning & Building Control Fees

#### Overall Control Assurance Rating: **Comprehensive**

This audit focused on ensuring that robust systems and procedures were in place in respect of the collection and banking of Planning application income and Building Control fees. The audit also sought to

ensure that refunds were processed for legitimate reasons and were approved for payment by an authorised officer.

From the 23 key controls evaluated in this audit review, 19 were considered to provide adequate control and 4 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:

- The Council's website continued to display the planning application fees from November 2012 rather than the July 2014 amended fees. (**Low Risk**)
- Regular reconciliations between the Council's Financial Information system and the planning system were not being undertaken. (**Low Risk - Risk Accepted**)
- Income received via the planning portal was not readily identifiable within the Council's Financial Information system. (**Low Risk**)
- Invoices raised in respect of inspection fees, had not been raised in a timely manner as per the billing timeframe specified in the Council's Sundry Debtor Credit Control Policy. (**Low Risk**)
- Regular reconciliations between the Financial Information system and the building regulation system were being undertaken but were not formally documented and signed by the officers undertaking the reconciliation process (**Low Risk**)

All 5 issues raised within this report were accepted. Positive action had already been taken to address 1 issue raised with action being taken to address 2 further issues by the end of July 2015. One action has been rectified due to a change of staff so is no longer an issue. With the remaining low risk control issue the Council has accepted the issue raised, but has opted to accept the risk identified. This decision was taken on the basis that the section has limited resources to undertake a formal reconciliation process.

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## Waste Management

### Overall Control Assurance Rating: **Comprehensive**

This audit focused on the accuracy of information within the Council's recycling credits claims submitted to Derbyshire County Council, and sought to ensure adequate controls were in place in respect of the Council's stock of green bins. An exercise was also undertaken to attempt to obtain commercial waste information from the Council's local competitors.

From the 14 key controls evaluated in this audit review, 12 were considered to provide adequate control and 2 contained weaknesses. The report contained 2 recommendations, both of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Whilst we were informed that the figures recorded in the recycling credits applications were subject to a check for accuracy by a second officer, there was no evidence to confirm that this check had been undertaken. (**Low Risk**)
- The results of bin stock checks, undertaken in December 2014 and January 2015, identified significant differences when compared with the weekly bin stock records. In addition, stock checks were not being signed off to evidence that the results had been reviewed, compared with the bin stock records and any differences investigated where necessary. (**Low Risk**)

Both issues raised within this report were accepted and positive action had already been taken to address both the issues raised.

## Data Protection & Freedom of Information

### Overall Control Assurance Rating: **Reasonable**

This audit focused on the Council's Freedom of Information (FOI) policies and procedures, and Data Protection Act (DPA) policies and procedures.

With regard to Data Protection, we focused upon Principle 5 of the DPA – retention; ensuring personal data processed for any purpose or

purposes was not being kept for longer than is necessary for that purpose or those purposes. We also focused on Principle 7 – security; ensuring appropriate technical and organisational measures had been taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.

We could not provide any assurance that IT media (i.e. SATA/SAS hard drives, backup tapes, USB drives, servers, network appliances etc) was being disposed of in a secure manner and in line with the Council's media sanitisation standards, or whether management were reviewing compliance against data retention and security policies, as evidence requested in relation to these controls was not provided within audit testing deadlines.

From the 25 key controls evaluated in this audit review, 15 were considered to provide adequate control and 10 contained weaknesses. The report contained 8 recommendations, 6 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:

- The Council had not documented an FOI policy. Failure to define a FOI policy may lead to information not being made available resulting in regulatory or reputational damage to the Council. (**Moderate Risk**)
- The Council's publication scheme was dated December 2011, and contained a number of broken hyperlinks. Failure to maintain the publication scheme can lead to non-compliance issues and reputational damage to the Council. (**Low Risk**)
- The Council had not assigned Information Asset Owners (IAO's) for all information assets stored on the Council's IT environment. Failure to define Information Asset Owners can lead to personal information being accessible by unauthorised users, leading to privacy violations and data security breaches. (**Low Risk**)
- The Council was not maintaining an information asset inventory. It is not practical to effectively protect personal and sensitive data if the Council does not have an inventory of all information assets. Failure to define an information asset inventory leads to

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poor data governance which could lead to sensitive data being accessible by unauthorised parties. (Low Risk)

- The Council's mobility assets (i.e. smartphones and tablets) were not all centrally managed by a mobile device management application. This can lead to unsecure devices being in operation processing personal and sensitive data, which could become vulnerable to unauthorised disclosure if lost or stolen. (Moderate Risk)
- The ActiveSync policy "SDDC ActiveSync Policy" was configured to allow smartphone devices that do not meet security requirements to synchronise with their corporate email account. This makes personal or sensitive information susceptible to unauthorised disclosure if the device was lost or stolen. (Low Risk)
- There were no formal review and verification procedures in operation for ensuring that access to directories on the Council's file servers was restricted to authorised users only. This can lead to inappropriate access provision to personal or sensitive data leading to privacy violations. (Low Risk)
- There were a number of Laptops in operation without full disc encryption, and there was no central monitoring application in operation to provide assurance that all Laptop devices had full disc encryption. This makes any personal or sensitive data stored locally on the Laptop's drive highly prone to unauthorised access if the device was lost or stolen. (Low Risk)
- There were no technical controls that prevented writing of data out to unencrypted removable storage devices such as USB drives. Failure to enforce such technical controls makes any data written to unencrypted removable media highly prone to unauthorised access if lost or stolen, making the Council susceptible to data protection penalties. (Moderate Risk)

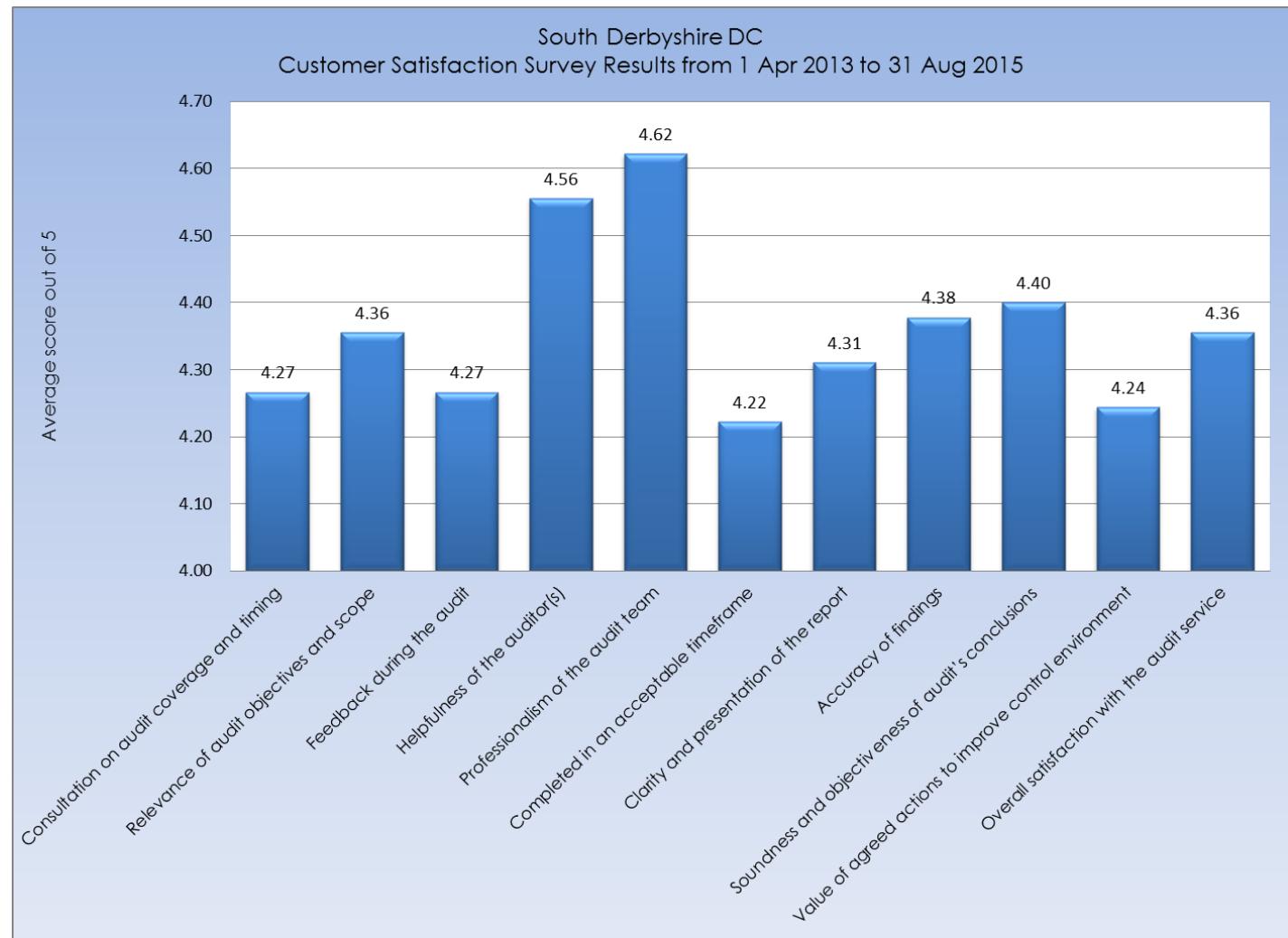
All 8 of the issues raised were accepted. Positive actions were agreed to address the 2 moderate risk issues by 29<sup>th</sup> October 2016 and 29<sup>th</sup> January 2016 respectively. The 6 low risk issues were agreed to be addressed between December 2015 and October 2016.

# 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 45 responses received between 1<sup>st</sup> April 2013 and 31<sup>st</sup> August 2015. The overall average score from the surveys was 48.0 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 3 occasions.



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## Audit Performance

### Customer Satisfaction

Since 1<sup>st</sup> April 2013, we have sent 68 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 68 sent we have received 45 responses.

Sixteen 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.

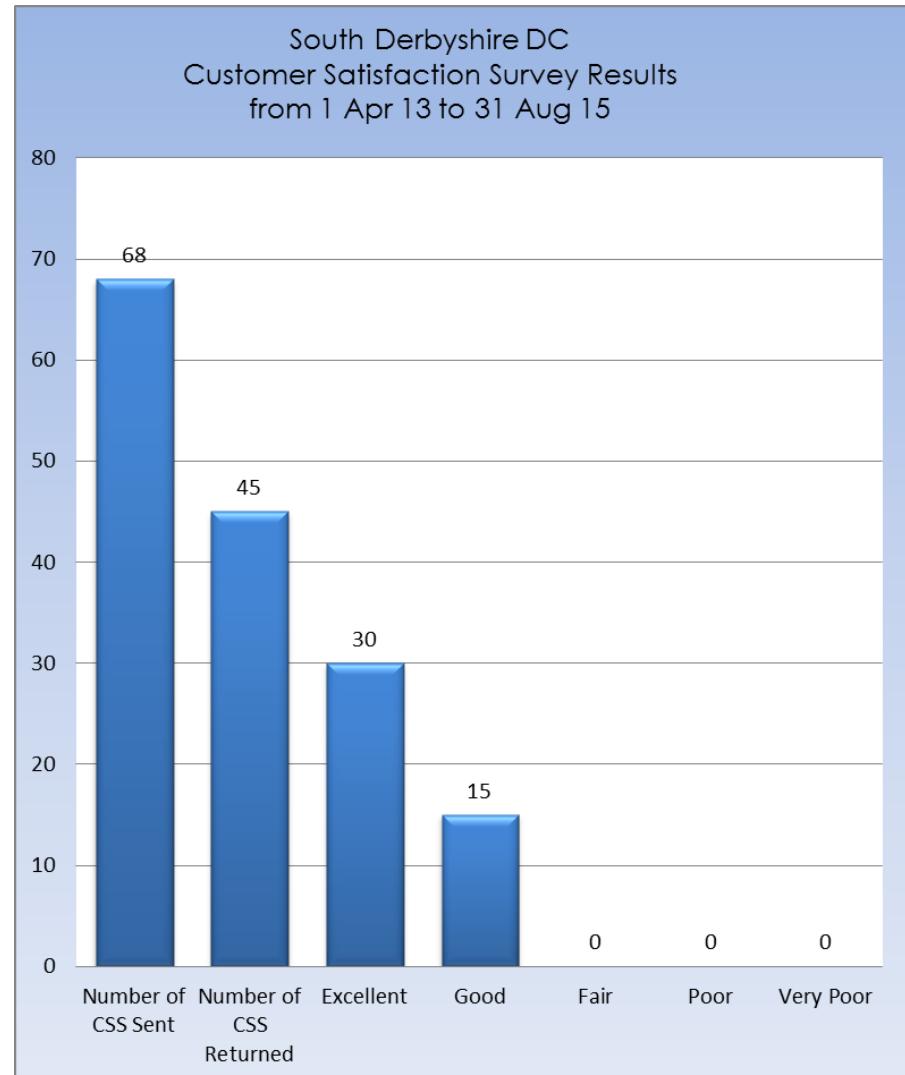
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Insurance 2014-15	03-Jun-15	Director of Finance & Corporate Services
Electoral Services	03-Jun-15	Chief Executive
Planning & Building Control Fees	07-Jul-15	Planning Services Manager
Commercial Rents	24-Jul-15	Corporate Asset Manager
Rechargeable Repairs	27-Jul-15	Housing Asset Manager
Data Protection & Freedom of Information	20-Aug-15	Director of Finance & Corporate Services
Capacity Management	20-Aug-15	Director of Finance & Corporate Services

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 30 of 45 responses categorised the audit service they received as excellent, another 15 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



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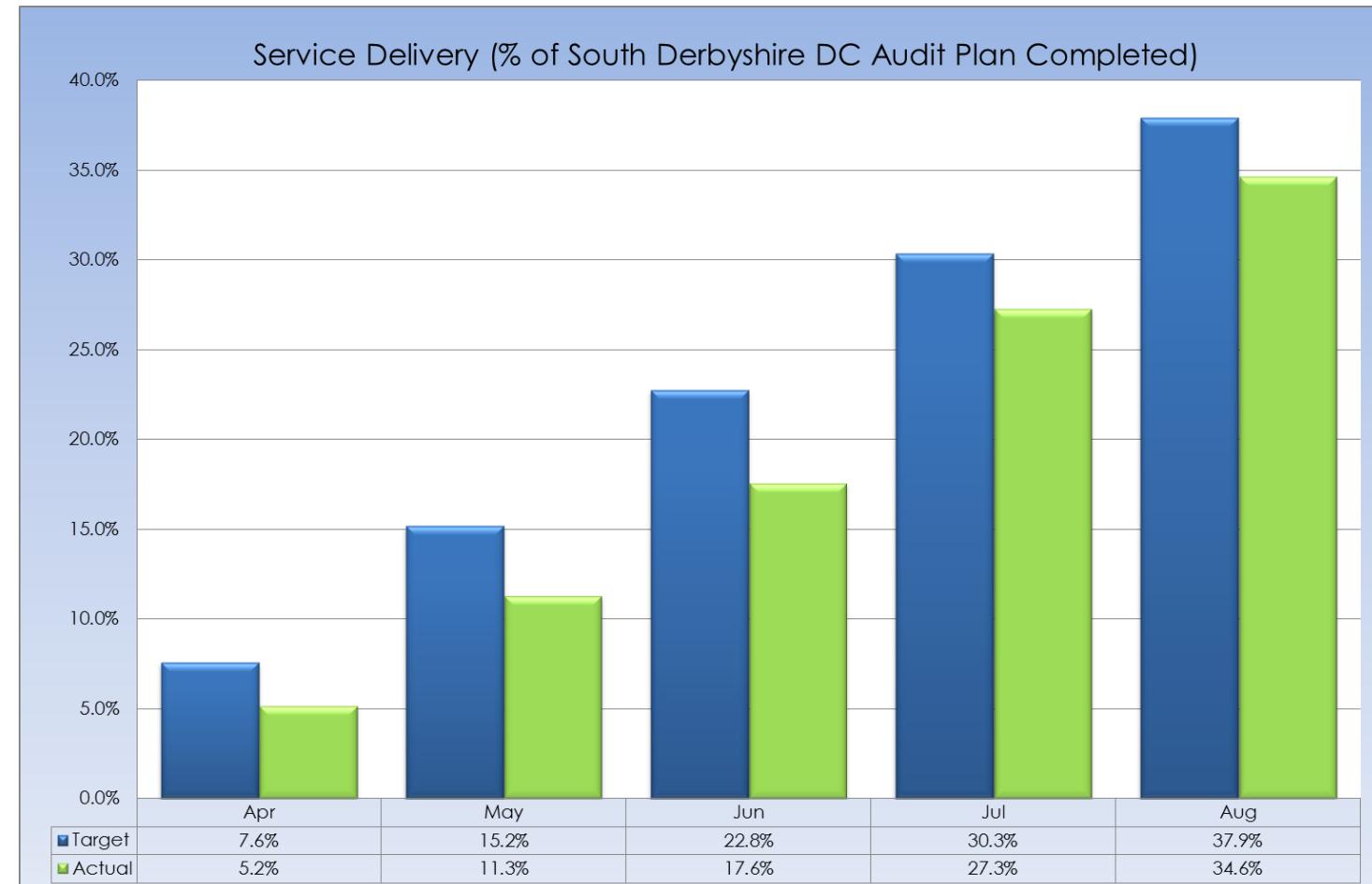
## Audit Performance

### 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 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.



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## 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	306	25	8	6	2	44	391
Moderate Risk	73	4	1	4	0	10	92
Significant Risk	7	0	0	0	0	0	7
Critical Risk	0	0	0	0	0	0	0
	<b>386</b>	<b>29</b>	<b>9</b>	<b>10</b>	<b>2</b>	<b>54</b>	<b>490</b>

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

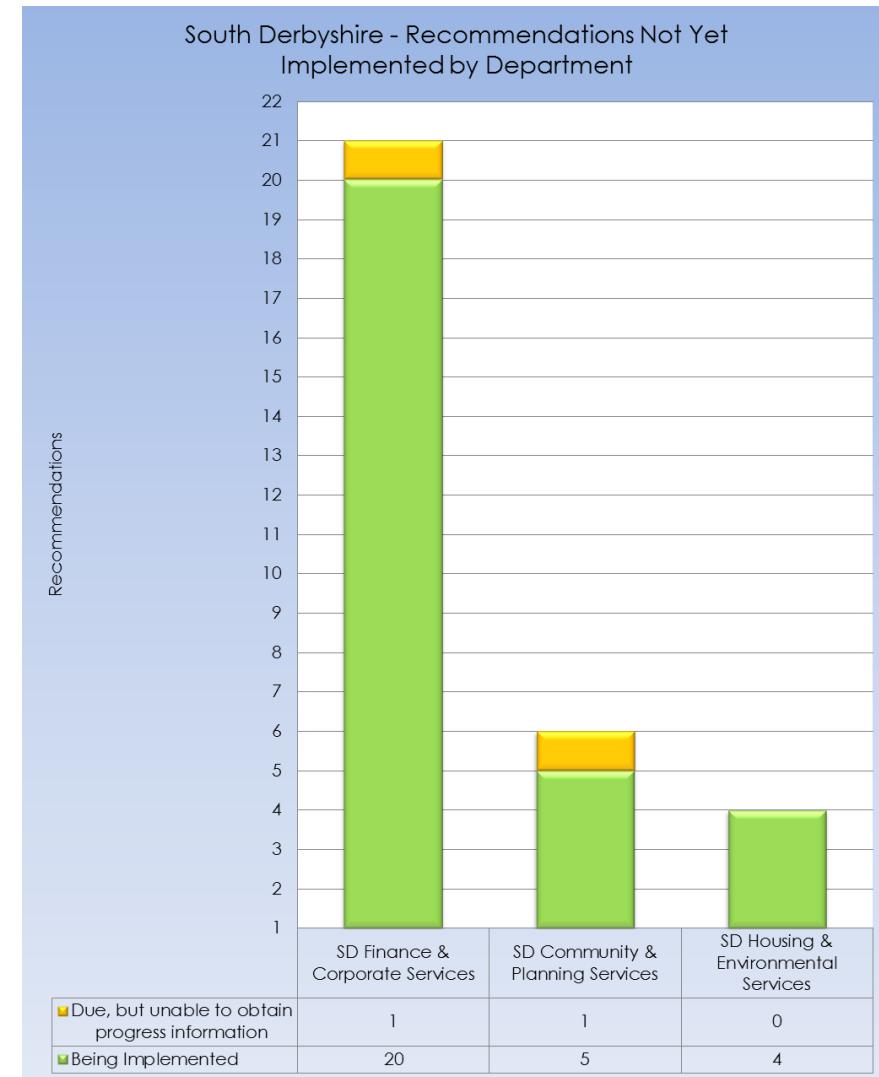
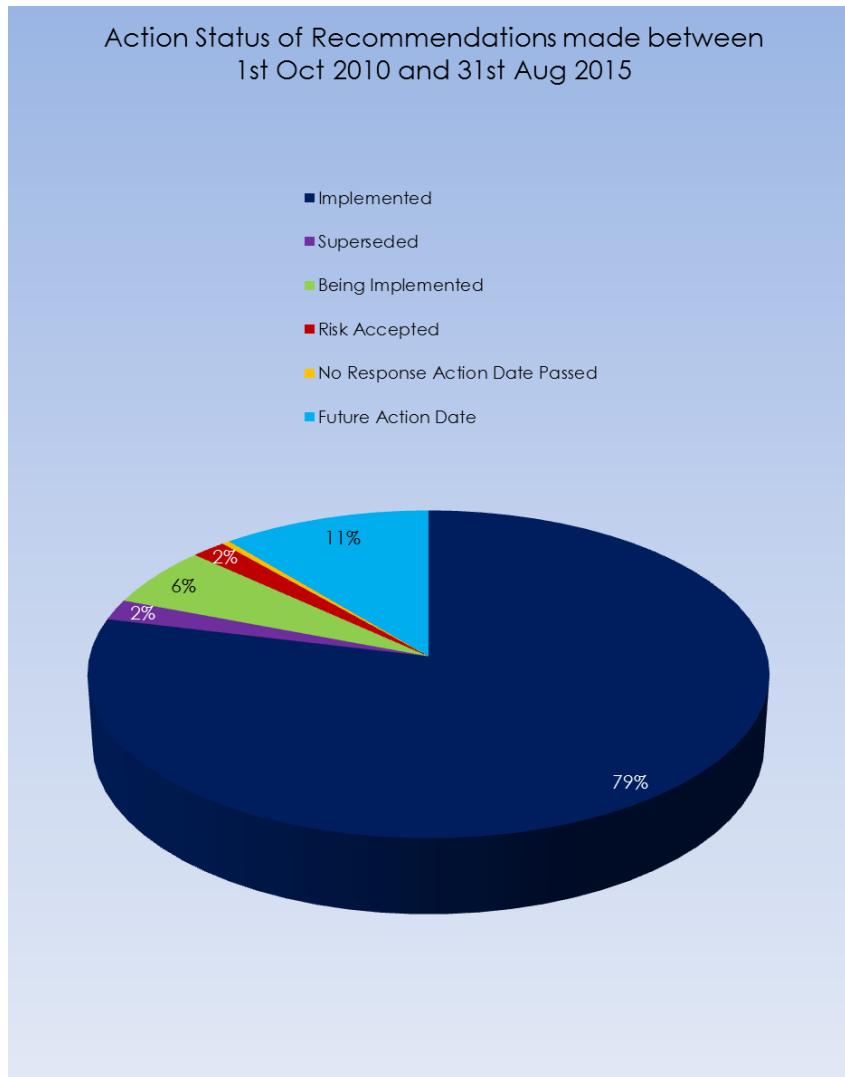
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being Implemented	20	5	4	29
Due, but unable to obtain progress information	1	1	0	2
	<b>21</b>	<b>6</b>	<b>4</b>	<b>31</b>

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). The moderate and 4 of the low risk accepted issues shown above have already been reported to this Committee. Another 3 low risk accepted issues are included in summary earlier in this report. The remaining low risk accepted issue relates to the Creditors / Debtors 2014-15 audit assignment, where management had originally agreed to take action, but on reflection, management has now decided to accept the risk associated with the control weakness.

# South Derbyshire District Council – Internal Audit Progress Report

## Recommendation Tracking

### Implementation Status Charts



# South Derbyshire District Council – Internal Audit Progress Report

## Recommendation Tracking

### Recommendations Not Yet Implemented

#### 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 1 Apr 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. However, this window was missed and the Monitoring Officer expects that this will be completed once the next committee cycle commences. Date to be confirmed.

Original Action Date 1 Feb 14

Revised Action Date 30 Sep 15

##### Data Quality & Performance Management 2014-15

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

Risk Rating – **Low Risk**

Status Update – Progress has been delayed due to holidays, this will have been completed by 30 Sep 2015.

Original Action Date 1 Jul 15

Revised Action Date 30 Sep 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 31 Dec 15

# South Derbyshire District Council – Internal Audit Progress Report

## Council Tax / NNDR / Cashiering 2014-15

**Control Issue** – 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.

Risk Rating – Low Risk

Status Update – Setting up another code in Academy is OK, but because AIM also has to be updated, IT will need to be involved.

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

## Housing & Council Tax Benefits 2014-15

**Control Issue** – 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.

Risk Rating – Low Risk

Status Update – Date moved on - ongoing reporting requirements issue being taken to committee in October - to await the outcome of the committee report as to how this is to be implemented. NB - when benefit fraud moves to DWP the situation will change.

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

## Partnership Governance

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

Risk Rating – Low Risk

Status Update – Will be on agenda for the next Executive Meeting but this won't be until towards year end.

Original Action Date 31 Mar 15      Revised Action Date 10 Jan 16

## Civica Security Assessment

**Control Issue** – 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.

Risk Rating – Low Risk

Status Update – No Response Received.

Original Action Date 31 Aug 15      Revised Action Date

## 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

## 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 - The Head of Procurement has advised that this is taking longer than expected to implement. In process of completing a change control note for sign-off before the required changes can be implemented.

Original Action Date 01-Apr-15      Revised Action Date 1 Nov 15

## South Derbyshire District Council – Internal Audit Progress Report

**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 - The Head of Procurement has advised that this is taking longer than expected to implement. In process of completing a change control note for sign-off before the required changes can be implemented.

Original Action Date 01-Apr-15      Revised Action Date 1 Nov 15

**Control Issue** - 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.

Risk Rating – Low Risk

Status Update - In process of completing a change control note for sign-off before the required changes can be implemented.

Original Action Date 01-Jul-15      Revised Action Date 1 Nov 15

**Control Issue** - 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.

Risk Rating – Low Risk

Status Update - In process of completing a change control note for sign-off before the required changes can be implemented.

Original Action Date 01-Jul-15      Revised Action Date 1 Nov 15

### 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

### 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 element including in a BC exercise held on 21/7/15. Next RLG meeting to confirm training dates.

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

**Control Issue** – We found there was no Business Continuity testing policy in place.

Risk Rating – Moderate Risk

Status Update – Policy developed, revised and to be included in the next BC plan update. The revised policy is also to be ratified by at the next RLG meeting.

Original Action Date 30 Jun 15      Revised Action Date 30 Sep 15

## South Derbyshire District Council – Internal Audit Progress Report

Control Issue – Business Continuity Plan Testing did not verify that intervals established in the Business Impact Assessment could be achieved.

Risk Rating – Low Risk

Status Update – BIAs will be reviewed when a new template is finalised in September 15. The period to March 16 will capture revised BIA data and result in a new priority list both included in a plan update. This will be examined by exercise later in 2016.

Original Action Date 30 Jun 15      Revised Action Date 31 Mar 16

### PCI Compliance

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 Council's 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

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

Risk Rating – Low Risk

Status Update – In June 2015, the Council approved resources for the Client Unit to enable, in principle, the appointment of a new Compliance and Data Policy Officer. The details of this will be reported to the Finance Committee in October 2015. Following the transfer of the Council's Fraud and Assurance Manager to the DWP in December 2015, 2 new posts will be created to cover Corporate Fraud, Data and IT Security, together with Compliance.

Original Action Date 31 Mar 15      Revised Action Date 31 Mar 16

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 – In June 2015, the Council approved resources for the Client Unit to enable, in principle, the appointment of a new Compliance and Data Policy Officer. The details of this will be reported to the Finance Committee in October 2015. Following the transfer of the Council's Fraud and Assurance Manager to the DWP in December 2015, 2 new posts will be created to cover Corporate Fraud, Data and IT Security, together with Compliance.

Original Action Date 31 Mar 15      Revised Action Date 31 Mar 16

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 – In June 2015, the Council approved resources for the Client Unit to enable, in principle, the appointment of a new Compliance and Data Policy Officer. The details of this will be reported to the Finance Committee in October 2015. Following the transfer of the Council's Fraud and Assurance Manager to the DWP in December 2015, 2 new posts will be created to cover Corporate Fraud, Data and IT Security, together with Compliance.

Original Action Date 31 Jan 15      Revised Action Date 31 Mar 16

# South Derbyshire District Council – Internal Audit Progress Report

## Community & Planning Services

### 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 was receiving external legal support from Geldards and the leisure contract was part of that work programme. However, the contract remains unsigned. The Council's legal officer was awaiting response from Active Nation and various interim chase ups had been made..

Original Action Date 25 Oct 13      Revised Action Date 30 Oct 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 the reconciliation programme not yet complete, due to staffing changes in both teams and a new software implementation for Section 106's taking priority..

Original Action Date 1 Apr 15      Revised Action Date 31 Jan 16

### Planning & Building Control Fees

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

**Risk Rating** – **Low Risk**

**Status Update** – No Response Received.

Original Action Date 31 Jul 15      Revised Action Date

### Bereavement Services

**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. 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, website has been updated and policy and charges will be updated once formalised.

Original Action Date 31 Mar 15      Revised Action Date 31 Mar 16

**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

## South Derbyshire District Council – Internal Audit Progress Report

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 1<sup>st</sup> July 2015, to be taken to Committee on 12<sup>th</sup> 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 1<sup>st</sup> July 2015, to be taken to Committee on 12<sup>th</sup> August 2015.

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

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 1<sup>st</sup> July 2015, to be taken to Committee on 12<sup>th</sup> August 2015.

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