



central midlands audit partnership

South Derbyshire District Council – Audit Progress Report

Audit Sub-Committee: 12th December 2018



South Derbyshire
District Council



Contents

Page

AUDIT DASHBOARD	3
AUDIT PLAN	4
AUDIT COVERAGE	6
RECOMMENDATION TRACKING	9

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.

Contacts

Richard Boneham
Head of the Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643280
richard.boneham@centralmidlandsaudit.co.uk

Adrian Manifold
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlandsaudit.co.uk

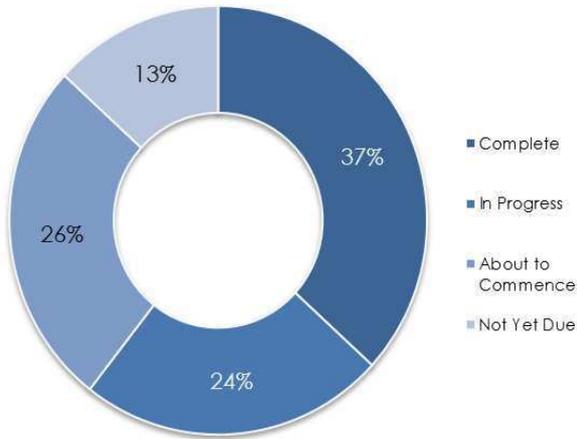


central midlands audit partnership
Providing Excellent Audit Services in the Public Sector

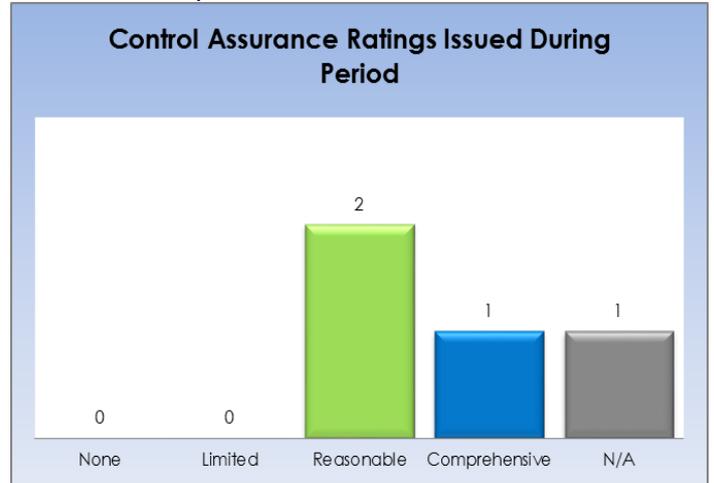
South Derbyshire District Council – Audit Progress Report

AUDIT DASHBOARD

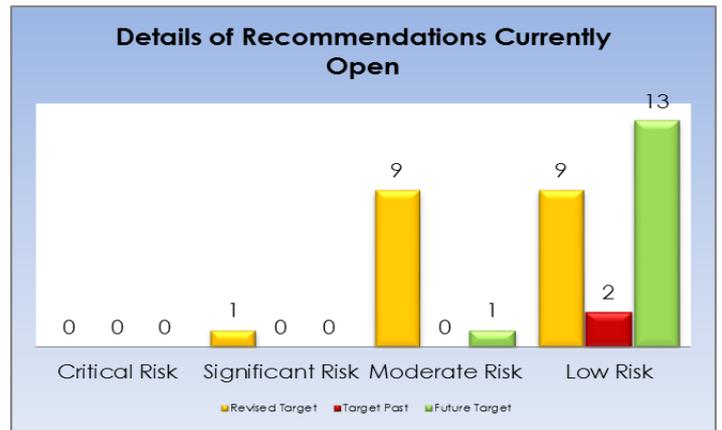
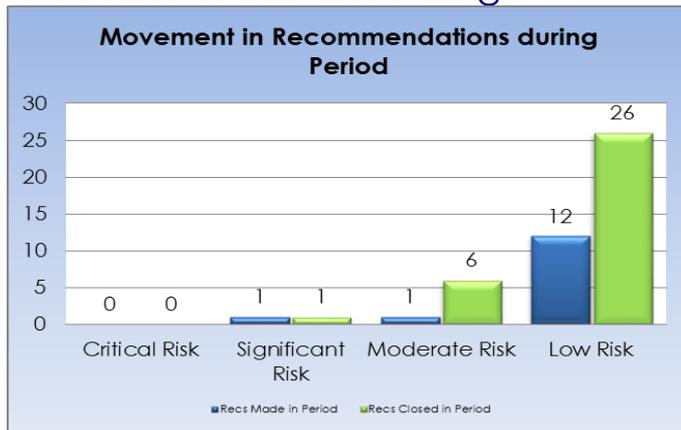
Plan Progress



Jobs Completed in Period

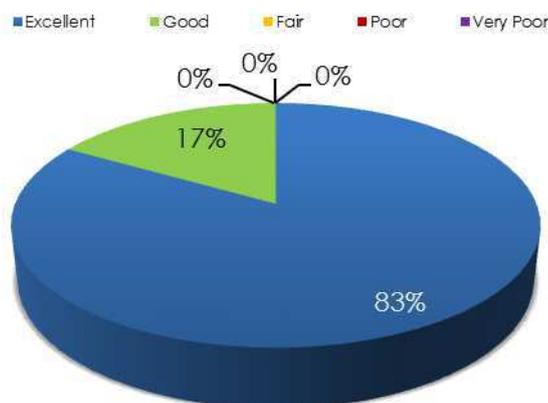


Recommendation Tracking



Customer Satisfaction

Dec 17 to Nov 18



South Derbyshire District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 29th November 2018.

2018-19 Jobs	Status	% Complete	Assurance Rating
Data Protection & Freedom of Information	Removed from Plan	0%	
Information Governance	Allocated	5%	
Treasury Management 2018-19	Allocated	0%	
Insurance 2018-19	Final Report	100%	Reasonable
Capital Programme	Not Allocated	0%	
Payroll 2018-19	Allocated	0%	
Creditors 2018-19	Allocated	5%	
Council Tax 2018-19*	Allocated	0%	
NDR 2018-19*	Allocated	0%	
Housing Benefit & Council Tax Support 2018-19	Not Allocated	0%	
PCI Compliance	In Progress	45%	
IT Applications *	Removed from Plan	0%	
File Server Security	Allocated	5%	
Waste Management (Collection, Trade, Recycling)	In Progress	10%	
Fleet Management	Not Allocated	0%	
Street Cleansing	In Progress	10%	
Section 106 Agreements	Draft Report	95%	
Development Control	Allocated	5%	
Pollution Control	Final Report	100%	Comprehensive
Food Safety	Not Allocated	0%	
Sport & Health Funding	Not Allocated	0%	
Rosliston Forestry Centre	Allocated	0%	
Planned & Responsive Maintenance - Public Buildings	Allocated	0%	
Housing Safety Inspections	In Progress	0%	
Allocations & Homelessness	In Progress	60%	
Sheltered Housing / Careline	Draft Report	95%	
Community Safety Partnership	In Progress	65%	
Corporate Governance	Allocated	0%	

- See Audit Plan Changes

South Derbyshire District Council – Audit Progress Report

B/Fwd Jobs	Status	% Complete	Assurance Rating
Risk Management	Job Complete	100%	N/A
Health & Safety	Draft Report	95%	
Payroll 2017-18	Final Report	100%	Reasonable
Organisational Culture & Ethics	Final Report	100%	Reasonable
Council Tax 2017-18	Final Report	100%	Comprehensive
NDR 2017-18	Final Report	100%	Comprehensive
Housing Benefit & Council Tax Support 2017-18	Final Report	100%	Comprehensive
Express Electoral System Security Assessment	Final Report	100%	Reasonable
Sharpes Pottery	Final Report	100%	Comprehensive
New Build / Affordable Housing	Final Report	100%	Comprehensive
Licensing	Final Report	100%	Comprehensive
Safeguarding	Final Report	100%	Reasonable
Followup of Whistleblowing Recommendations	Final Report	100%	Reasonable

Audit Plan Changes

The IT Applications audit scheduled for this year is unlikely to take place in 2018/19. Our two IT Audit Trainees have recently taken up positions with other employers. The Partnership's Operational Group has decided that rather than recruit two more IT Audit Trainees, efforts would be made to recruit a more experienced Senior/Principal IT Auditor. As this leaves us significantly under resourced to deliver our planned IT Audits across the Partnership, it was agreed by each Partner Organisation on 5th November 2018 that some IT Audits would have to be deferred until resources are available.

As last year's Council Tax and NDR audits highlighted very similar issues for the same officer, in the interest of efficiency, it has been agreed that rather than undertake two separate audit assignments, they will be combined into one all encompassing Revenue Systems assignment this year.

South Derbyshire District Council – Audit Progress Report

AUDIT COVERAGE

Completed Audit Assignments

Between 6th September 2018 and 29th November 2018, the following audit assignments have been finalised since the last Progress Report was presented to this Sub-Committee.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Payroll 2017-18	Reasonable	-	1	-	9	70%
Pollution Control	Comprehensive	-	-	-	2	100%
Insurance	Reasonable	-	-	1	1	50%
Risk Management	N/A	-	-	-	-	N/A

Payroll 2017-18	Assurance Rating			
	None	Limited	Reasonable	Comprehensive
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
New employees are set up on the payroll system correctly.	7	2	3	2
Variations to pay are processed accurately, promptly and are fully authorised.	11	7	3	1
Review the resource link permissions to see if SDDC adheres to the controls.	9	4	0	5
TOTALS	27	13	6	8
Summary of Weakness	Risk Rating	Agreed Action Date		
Documents were not consistently stored in the secure locations used by HR and Payroll.	Low Risk	31/08/2019 Future Action		
Hard copy HR and Payroll documents were being stored in an unlocked cabinet within the Finance office.	Low Risk	Implemented		
There was inappropriate access to the Payroll shared inbox and to the HR shared inbox.	Low Risk	Implemented		
There were inadequate controls in place regarding separation of duties when setting up new starters on Payroll.	Significant Risk	26/10/2018 Being Implemented 21/12/2018		
A policy regarding honoraria and acting up was not in place. An end date for an acting up payment had not been specified on the official form or entered onto the Resource Link (Payroll) system: payments would therefore continue to be made to this employee without further checks or intervention.	Low Risk	21/12/2018 Future Action		
Honoraria and acting up payments were not uniquely coded.	Low Risk	Implemented		
There were no system restrictions in place that would identify changes made to the Payroll Managers salary in period.	Low Risk	Risk Accepted		
Testing identified two instances where return to work forms had not been passed to HR.	Low Risk	30/09/2018 Implemented		
The role of system administrator within Resource Link was permanently granted to the Accounting Technician.	Low Risk	Risk Accepted		
There was a SDDC HR shared account that could perform up to 362 tasks within the Resource Link System.	Low Risk	Implemented		

South Derbyshire District Council – Audit Progress Report

Pollution Control	Assurance Rating			
	None	Limited	Reasonable	Comprehensive
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Policies, procedures and governance arrangements in place to ensure effective decision making process and adequate actions taken	5	5	0	0
Confirm that investigations are carried out in compliance with the procedure, within the target, all cases are recorded electronically and accompanied by supporting documents	10	8	0	2
Confirm that performance information is appropriately collated, relevant indicators calculated and reported	2	2	0	0
TOTALS	17	15	0	2
Summary of Weakness		Risk Rating	Agreed Action Date	
Incomplete supporting documentation indexed on the electronic investigation record		Low Risk	01/11/2018 Implemented	
Cases were closed earlier or left open for prolonged period without an explanation recorded on the system.		Low Risk	01/11/2018 Implemented	

Insurance	Assurance Rating			
	None	Limited	Reasonable	Comprehensive
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
There is an adequately defined control framework for the use of insurance for the mitigation of risk.	5	5	0	0
Adequate insurance cover in place, taking into account risks identified.	6	5	1	0
Adequate procedures in place to accurately and completely process insurance claims.	8	7	1	0
Insurance premiums and claims properly accounted for and suitably reported to management and members.	3	3	0	0
TOTALS	22	20	2	0
Summary of Weakness		Risk Rating	Agreed Action Date	
For many of the risks for which insurance was in place there was no corresponding risk identified in any of the Council's risk registers.		Moderate Risk	25/01/2019 Future Action	
There are no recorded minutes for Health & Safety / Insurance meetings that take place to review accidents and incidents that had occurred, consequently actions resulting from the meeting were not recorded, and there is no process to ensure they had been completed.		Low Risk	10/10/2018 Implemented	

South Derbyshire District Council – Audit Progress Report

Completed Audit Consultancy Assignments

Review of the Risk Management Framework

A consultancy review which compared the Council's Risk Management Framework against the Association of Local Authority Risk Managers (Alarm) national performance model for risk management in public services has been completed. The performance model is a detailed and comprehensive set of questions that have been designed to test current performance against the assessment framework.

The review concentrated on the following key areas:

- Do senior management and Elected Members support and promote risk management?
- Are there clear strategies and policies for risk?
- Are people equipped and supported to manage risk well?
- Are there effective arrangements for managing risks with partners?
- Does the Council have effective risk management processes to support the business?
- Are risks handled well and does the Council have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?

An initial assessment was made and discussed with the Strategic Director (Corporate Resources). Following further information from the Strategic Director, a revised/final assessment was made. The assessments are shown below.

RAG	Ratings	Number of Instances in original assessment	Number of Instances in revised assessment
Red	Weakness	9	1
Yellow	Partial Weakness	17	12
Green	Adequate	12	25

The full details of the assessment are contained in the report on the risk management policy framework and guidance from the Strategic Director (Corporate Resources) which is on the Audit Sub-Committee agenda for 12th December.

South Derbyshire District Council – Audit Progress Report

RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
21-Nov-18	Insurance	Reasonable	-	-	1
02-Oct-18	Payroll 2017-18	Reasonable	-	1	2
25-Apr-18	Organisational Culture & Ethics	Reasonable	-	1	1
11-Jul-18	Housing Benefit & Council Tax Support 2017-18	Comprehensive	-	-	1
12-Jul-18	NDR 2017-18	Comprehensive	-	-	2
06-Sep-18	Council Tax 2017-18	Comprehensive	-	-	2
06-Mar-18	Tenants Arrears 2017-18	Reasonable	1	1	1
19-Jan-18	Rent Accounting 2017-18	Reasonable	-	1	-
02-Mar-18	Backup Policy	Reasonable	-	3	-
13-Nov-17	Officers Expenses & Allowances	Reasonable	-	1	-
17-Nov-17	Backup Server Healthcheck	Limited	-	3	-
18-May-18	Sharpes Pottery	Comprehensive	-	-	2
23-Nov-17	Housing Contracts Review	Limited	-	1	-
07-Aug-17	Parks & Open Spaces	Reasonable	-	5	-
06-Jun-17	Leisure Centres	Reasonable	-	1	-
27-Jan-17	Whistleblowing Investigation	Limited	-	1	-
29-Jun-18	Safeguarding	Reasonable	1	-	2
		TOTALS	2	19	14

Action Due = The agreed actions are due, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

Being Implemented = The original action date has now passed and the agreed actions have yet to be completed. Internal Audit has obtained status update comments from the responsible officer and a revised action date.

Future Action = The agreed actions are not yet due, so Internal Audit has not followed the matter up.

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Payroll 2017-18	-	-	-	1	-	-
Organisational Culture & Ethics	-	-	-	-	1	-
Tenants Arrears 2017-18	-	-	1	-	-	1
Rent Accounting 2017-18	-	-	-	-	-	1
Backup Policy	-	-	-	-	1	2
Officers Expenses & Allowances	-	-	-	-	1	-
Backup Server Healthcheck	-	-	-	-	1	2
Housing Contracts Review	-	-	-	-	1	-
Parks & Open Spaces	-	-	-	-	2	3
Leisure Centres	-	-	-	-	1	-
Whistleblowing Investigation	-	-	-	-	1	-
Safeguarding	-	-	1	-	-	-
TOTALS	-	-	2	1	9	9

South Derbyshire District Council – Audit Progress Report

Highlighted Recommendations

The following significant or moderate risk rated recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

Action Due Recommendations

Organisational Culture & Ethics	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not undertaken a staff survey which was specifically geared towards the Council's culture, ethics and values.</p> <p>We recommend that the Council consider undertaking a specific Cultural Survey aimed at assessing officer opinions on the Council's culture, ethics and values. The results of the survey could then be used to make improvements where necessary should any common specific themes or patterns result.</p>	Moderate Risk
Management Response/Action Details	Action Date
A survey will be undertaken following research with the Councils Communications section.	31/10/2018
Status Update Comments	Revised Date
There is a restructure report tabled to Members at the Finance and Management Committee this week. Following the outcome of that, the post to drive this matter forward will be identified. Management therefore propose to delay this recommendation until 30/09/19.	30/09/2019

Being Implemented Recommendations

Payroll	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>There were inadequate controls in place regarding separation of duties when setting up new starters on Payroll.</p> <p>We recommend that the Payroll Manager's access to the Resource Link system is amended so that she cannot create new employees and that additional checking is introduced which ensures any new starters set up have been instructed from HR</p>	Significant Risk
Management Response/Action Details	Action Date
Payroll Manager to have security access changed so new starters cannot be set up in payroll. The existing effective control measures to continue for setting up new starters on all payrolls to remain in place and observed.	26/10/2018
Status Update Comments	Revised Date
<p>The security access for the Payroll Manager has yet to be changed and advice has been sought from the system provider on the appropriate actions to change security permissions to ensure no impact on the production of the payroll. All new starters are only entered on to the system by Human Resources.</p> <p>Work has continued with the system provider to put in place adequate security profiles that meet the recommendation whilst ensuring no detriment to the timely delivery of the payroll. Different options have been tested but no final solution has been provided. This will be escalated with the system provider and additional support requested. The controls currently in place will be observed for adding new starters on to the system.</p>	21/12/2018

South Derbyshire District Council – Audit Progress Report

Officers Expenses & Allowances	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>The review of essential user allowances process, which was due to be carried out annually, had not been carried out.</p> <p>We recommend that the Council considers a root and branch review of its approach to the payment of travel expenses, with a view to reducing the number of uneconomic payments made through the essential user scheme.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>The payments are contractual for employees and therefore formal consultation will need to be undertaken. The Council is completing a job evaluation project and it is planned to commence discussions with the Trade Unions as part of a wider review of employment conditions and to fit in line with negotiations being completed on a national basis. Position to be reviewed 30/09/2018.</p>	30/09/2018
Status Update Comments	Revised Date
<p>No formal action has progressed on this action. Revised action date 30/09/2019.</p>	30/09/2019

Backup Server Healthcheck	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>A local administrator account on one of the Council's Backup Exec Server had a weak corresponding password which was representative of the word password with only minor character substitutes. Furthermore, this password had not been changed in 656 days.</p> <p>We recommend that management looks to strengthen the weak corresponding password vulnerability which has been reported confidentially to the IT team.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Where possible passwords have been changed to resolve this issue. Again we need to be careful when changing passwords as many accounts run services and so we don't want the Backup processes to start failing. This issue will be fully addressed when a new solution is implemented.</p>	27/04/2018
Status Update Comments	Revised Date
<p>To fall in line with the recommendations/project surrounding job 3061 - SDDC Backup Policy.</p>	31/12/2018

South Derbyshire District Council – Audit Progress Report

Backup Policy		Rec No. 3
Summary of Weakness / Recommendation		Risk Rating
<p>There were not 3 recovery sources for backups of critical systems. Only hardware level replication between the primary and DR SAN maintained copies of backup files for all virtual servers, leaving the Council vulnerable to a complete loss of recovery sources if there was major corruption issues replicated the storage level between both storage area networks.</p> <p>We recommend that management reviews the implications of maintaining a 3rd copy of backups for critical information systems, such as tape, or cloud based recovery sources.</p>		Moderate Risk
Management Response/Action Details		Action Date
This is part of the requirements for the new backup & DR solution.		31/08/2018
Status Update Comments		Revised Date
The new solution allows for a third source to be integrated. This 'break-point' safeguards against total corruption of existing backups in the event of viral attacks / physical damage.□		31/12/2018

Leisure Centres		Rec No. 2
Summary of Weakness / Recommendation		Risk Rating
<p>The Council had not undertaken inspections on the exterior fabric of the building as per the contract summary of maintenance responsibilities.</p> <p>We recommend that the Council fulfil its obligations in respect of those areas which it has responsibility for maintaining. Inspections should be undertaken on a regular basis, in accordance with any relevant legislation and properly documented.</p>		Moderate Risk
Management Response/Action Details		Action Date
Programme of inspections to be agreed with Building Maintenance Officer		01/10/2017
Status Update Comments		Revised Date
<p>Our public building officer resigned several months ago and has not been replaced pending both a housing services and Council wide restructure. Once responsibility for this area of work is identified in the final structure and someone in post we will be able to commence the required inspections. Given the uncertainty suggest a revised compliance date of Jan 31st 2018.</p> <p>The long term future of the Public Building Officer post has still not been settled and an interim arrangement has recently been implemented with a temporary 6 month appointment. Suggest a revised date of the end of September 2018.</p> <p>Request made to interim public buildings officer to assist. Answer pending. Anticipate should be able to close out by Dec 31st 2018</p>		31/12/2018

South Derbyshire District Council – Audit Progress Report

Parks & Open Spaces	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>Comprehensive risk assessments of play equipment were not available for inspection. A limited number of non-descript risk assessments were located with play equipment listed as a hazard, suggesting that risk assessments had not been completed for all playgrounds and equipment across the district.</p> <p>We recommend that the Council establish risk assessments for all the playgrounds and the equipment therein, for which it could be held liable. The risk assessments should be undertaken with the above guidance provided by ROSPA and should consider the activity classification, hazard identification, the evaluation of risk, the evaluation of the control measures and the specification for further action.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>Agree action plan with H&S officer. Agree content of risk assessments and list of sites to be inspected - SDDC own sites only. Establish which Parish Councils already undertake risk assessments. Write to advise remaining Parish Councils of their responsibilities. NOTE: there may be budget/cost implication.</p>	<p>31/12/2017</p>
Status Update Comments	Revised Date
<p>Due to officer departure from the Council don't believe any action has been taken to date so deadline will need moving back probably to end March for now. We now have an interim 3 day replacement and will be convening to discuss how we take the audit recommendations forward.</p> <p>Our internal capacity to progress is temporarily limited but we are undertaking a district wide play audit of our own which will help to address the outstanding recommendations. We are currently engaged in a procurement exercise to secure external expertise to undertake the audit. To allow for the procurement, the audit and then remedial action suggest a revised date for implementing the outstanding recommendations of end September.</p> <p>Play audit nearing completion. To allow for digesting and acting upon recommendations, suggest a revised date of end March 2019</p>	<p>31/03/2019</p>

South Derbyshire District Council – Audit Progress Report

Parks & Open Spaces	Rec No. 8
Summary of Weakness / Recommendation	Risk Rating
<p>Park Keepers and other members of the Grounds Maintenance team undertaking inspections of play equipment had not received appropriate training.</p> <p>We recommend that the Park Keepers and any other members of the Grounds Maintenance team, who would be expected to undertake inspections of play equipment, undertake appropriate training on playground inspections. This is in accordance with the Grounds Maintenance Contract Specification which states that routine visual inspections should be undertaken on a daily basis by appropriately trained and accredited staff.</p>	Moderate Risk
Management Response/Action Details	Action Date
Identify relevant staff. Training of all relevant staff to be carried out and documented, including regular refresher training	31/03/2018
Status Update Comments	Revised Date
<p>We would look to book the relevant operatives onto a course as soon as possible in the new financial year. We are now in that period so will look for an appropriate course for the staff to attend.</p> <p>Unfortunately, we are currently down to only one of the tree Park Keepers at present, one has been off long term sick and the second put in his notice to retire so has finished work. We will be interviewing a replacement. It didn't seem practical to only look for the one operative! Revised action date requested.</p> <p>In response to this we currently only have one Park Keeper as one has retired and we have not been able to replace as of yet, The other is on long term absence and at present unsure as to when he may return. The final Park Keeper that is in work has intimated that he may be looking for alternative employment so at this time I have not progressed this recommendation. Once we have recruited and hopefully got back to the correct staffing we will look to sort asap. Action date revised to 31 December 2018.</p>	31/12/2018

Whistleblowing Investigation	Rec No. 13
Summary of Weakness / Recommendation	Risk Rating
<p>The information recorded on the Summary of Asbestos Registers spreadsheet was not being adequately maintained in order to provide sufficient control over the process.</p> <p>We recommend that, in addition to storing copies of asbestos surveys and test certificates electronically, that the Housing Section also look into recording the asbestos related information on the Lifespan Asset Management System. This will then create a central location for all officers to search for the information and can be used to record details of the annual checks. Information contained within the existing Summary of Asbestos Registers spreadsheet should also be imported into Lifespan, if possible, to ensure the continued integrity of data.</p>	Moderate Risk
Management Response/Action Details	Action Date
The Director of Housing & Environmental Services will formally instruct the Housing Asset Manager and all staff within his Directorate to comply with the recommended action in this regard.	30/06/2017
Status Update Comments	Revised Date
Asbestos reports will be downloaded from the current contractor's portal onto the V drive and to Lifespan. Lifespan training is to be completed by the end of September 2018 and we are aiming for Lifespan to be up-to-date by the end of December 2018.	31/12/2018

South Derbyshire District Council – Audit Progress Report

Housing Contracts Review	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>Contract opportunities for adaptations (where collective works were over the £25,000 threshold) were not being advertised on the 'Contracts Finder' website, in line with the requirements of the Public Contract Regulations 2015.</p> <p>We recommend that the Head of Procurement identify a range of options available to the Council for complying with this ruling and seek to strengthen systems to ensure compliance with the Public Contract Regulations 2015. Such a system should ensure that the principles of transparency, equal treatment and non-discrimination, under European Union Treaties, are also adhered to.</p>	<p>Moderate Risk</p>
Management Response/Action Details	Action Date
<p>The Council agreed changes to the procurement of Disabled Facility works at a meeting of the Finance and Management Committee on 12th October 2017. The current "standing" list will be replaced by a Framework of 4 to 5 contractors to undertake smaller works below £25,000. This will be subject to an OJEU process.</p> <p>Any larger works above £25,000 will be tendered separately and advertised in the normal way (Source Derbyshire, etc.)</p>	<p>23/11/2017</p>
Status Update Comments	Revised Date
<p>The Housing Section have met with Chesterfield NHS to explore the possibility of using a dynamic purchasing framework this will give our existing local contractors the opportunity to join the frame work if they meet the requirements, the list of existing contractors has been sent to Chesterfield NHS in order to move the procurement forward. Realistic implementation by the end of January 2019 if we want the existing contractors to have the chance to gain access to the framework.</p>	<p>31/01/2019</p>