



# Derby City Council – Internal Audit Progress Report

Covering the period 1<sup>st</sup> January 2016 to 31<sup>st</sup> August 2016)

Audit & Accounts Committee: 28<sup>th</sup> September 2016



## Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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## Summary

### Role of Internal Audit

The Internal Audit Service for Derby City 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 & Accounts 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 effectiveness of 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

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Limited assurance assessment will be highlighted to the Audit &

Accounts Committee in Audit's progress reports.

## Audit Coverage

### Progress on Audit Assignments

The following tables provide Audit & Accounts Committee with information on how audit assignments were progressing as at 31<sup>st</sup> August 2016.

2015-16 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Locality Services	Systems/Risk Audit	Final Report	100%
Procurement	Procurement/Contract Audit	Final Report	100%
Treasury Management 2015-16	Key Financial System	Final Report	100%
Grant Certification Audits 2015-16	Grant Certification	Complete	100%
Anti-Fraud & Corruption 2015-16	Governance Review	Complete	100%
IT Forensics 2015-16	Advice/Emerging Issues	Complete	100%
Debtors 2015-16	Key Financial System	Final Report	100%
Non-Domestic Rates 2015-16	Key Financial System	Final Report	100%
Housing Benefits & Council Tax Support 2015-16	Key Financial System	Final Report	100%
EDRMS Application	IT Audit	Final Report	100%
Main Accounting System 2014-15	Key Financial System	Final Report	100%
Wireless Network Infrastructure	IT Audit	Final Report	100%
Waste Management & Disposal	Systems/Risk Audit	Final Report	100%
Integrated Commissioning	Systems/Risk Audit	In Progress	15%
Business Intelligence	Systems/Risk Audit	In Progress	50%
Fixed Assets 2015-16	Key Financial System	Fieldwork Complete	80%
Main Accounting System (MTFP) 2015-16	Key Financial System	Draft Report	95%
Insurance	Systems/Risk Audit	Reviewed	90%
Income Management (Civica ICON)	IT Audit	In Progress	55%
MiPeople Application	IT Audit	In Progress	75%
Active Directory	IT Audit	Allocated	15%
Highways & Engineering	Systems/Risk Audit	Allocated	25%
Market Development (Adult Social Care)	Systems/Risk Audit	Final Report	100%
Learning Disabilities	Systems/Risk Audit	Final Report	100%
Payroll 2015-16	Key Financial System	Final Report	100%
Democratic Services	Systems/Risk Audit	Final Report	100%
Teachers Pensions 2014-15	Key Financial System	Final Report	100%
Risk Management	Governance Review	Final Report	100%
Creditors 2015-16	Key Financial System	Final Report	100%
Council Tax 2015-16	Key Financial System	Final Report	100%
IT Governance	IT Audit	Final Report	100%
Investigation - Adult Learning Centre	Investigation	Final Report	100%

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Investigation - Overtime Payments	Investigation	Final Report	100%
School Self-Assessments 2015-16	Schools	Final Report	100%

## Progress on Audit Assignments (Cont.)

2016-17 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Independent Living Funds	Systems/Risk Audit	Allocated	0%
Adult Safeguarding	Systems/Risk Audit	Final Report	100%
SEND - Local Offer - Travel & Other Support	Systems/Risk Audit	In Progress	25%
Looked After Children (LAC) Strategy & Reviews	Systems/Risk Audit	Allocated	0%
Fostering Services	Systems/Risk Audit	In Progress	50%
Child Protection - Local Authority Designated Officer (LADO)	Systems/Risk Audit	Fieldwork Complete	80%
Priority Schools Building Programme	Systems/Risk Audit	Allocated	0%
Public Health - Commissioning	Systems/Risk Audit	In Progress	65%
Public Health - Pooled Budgets	Systems/Risk Audit	Allocated	5%
Data Quality & Performance	Governance Review	Allocated	0%
People Management	Systems/Risk Audit	In Progress	25%
Grant Certification Work 2016-17	Grant Certification	In Progress	65%
Procurement Monitoring	Procurement/Contract Audit	In Progress	25%
Revenue Contracts	Procurement/Contract Audit	Allocated	5%
Information Governance	Governance Review	In Progress	75%
RIPA	Governance Review	Draft Report	95%
Cyber Security	IT Audit	In Progress	50%
Liquid Logic Security Assessment	IT Audit	In Progress	45%
Derby Arena	Systems/Risk Audit	Allocated	20%
Section 106 Agreements	Systems/Risk Audit	In Progress	60%
Licensing	Systems/Risk Audit	In Progress	75%
Trading Standards	Systems/Risk Audit	In Progress	70%
Emergency Planning	Systems/Risk Audit	Final Report	100%
Health & Safety	Governance Review	In Progress	65%
Economic Regeneration	Systems/Risk Audit	Allocated	10%
External Funding	Systems/Risk Audit	Allocated	0%
Commercial Rents	Systems/Risk Audit	In Progress	55%
Property Maintenance	Systems/Risk Audit	Allocated	15%
Homes for Older People	Anti-Fraud/Probity/Ethics	Final Report	100%
Purchase Cards	Anti-Fraud/Probity/Ethics	Reviewed	90%
Springwood Leisure Centre	Anti-Fraud/Probity/Ethics	Draft Report	95%
Vulnerable Adults Payments	Anti-Fraud/Probity/Ethics	Reviewed	90%
Morleston Day Centre	Anti-Fraud/Probity/Ethics	Fieldwork Complete	80%
Various Cash-ups	Anti-Fraud/Probity/Ethics	In Progress	15%
Farmers Market	Anti-Fraud/Probity/Ethics	In Progress	60%
Schools SFVS Self Assessment 2016-17	Schools	In Progress	30%

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18 Schools SFVS Assessments	Schools	Allocated	Various
13planned audit assignments have yet to be allocated.			

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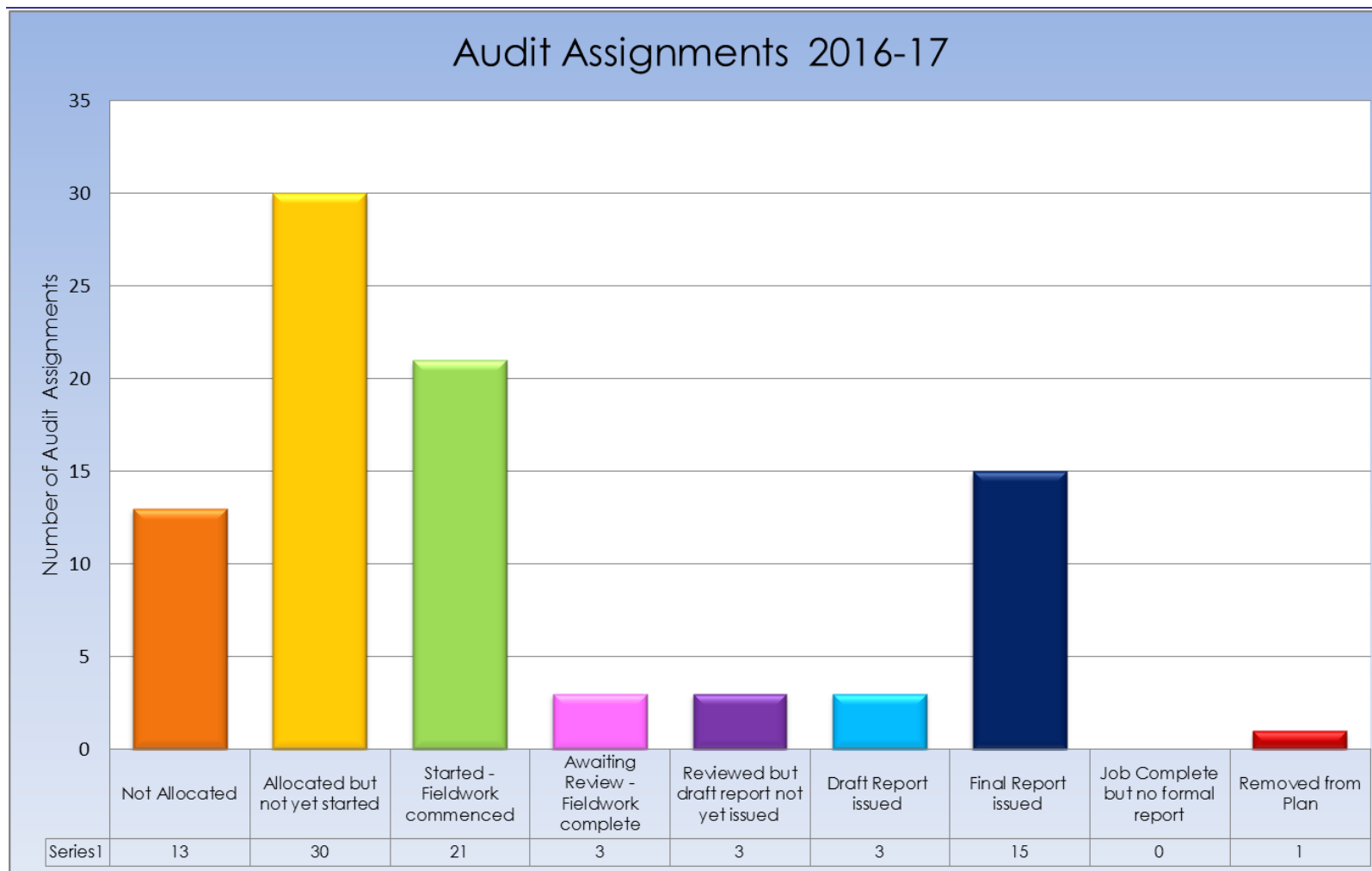
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### Audit Coverage

#### Progress on Audit Assignments Chart

The following graph provides Audit & Accounts Committee with information on what stage audit assignments were at as at 31<sup>st</sup> August 2015. Of the 33 assignments allocated but not yet started, 18 relate to School's Financial Value Standard reviews.

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### Audit Coverage

#### Completed Audit Assignments



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Between 1<sup>st</sup> January 2016 and 31<sup>st</sup> August 2016 Internal Audit has completed the following 28 audit assignments for Derby City Council as well as completing 9 School's Financial Value Standard reviews:

Audit Assignment	Overall Assurance Rating
Locality Services	Reasonable
Procurement	Reasonable
Treasury Management 2015-16	Reasonable
Grant Certification Audits 2015-16	N/A
Anti-Fraud & Corruption 2015-16	N/A
IT Forensics 2015-16	N/A
Debtors 2015-16	Reasonable
Non-Domestic Rates 2015-16	Comprehensive
Housing Benefits & Council Tax Support 2015-16	Comprehensive
EDRMS Application (Opentext Security)	Reasonable
Main Accounting System 2014-15	Reasonable
Wireless Network Infrastructure	Reasonable
Waste Management & Disposal	Reasonable
Adult Safeguarding	Comprehensive
Market Development (Adult Social Care)	Reasonable
Learning Disabilities	Reasonable
Payroll 2015-16	Reasonable
Democratic Services	Comprehensive
Teachers Pensions 2014-15	Reasonable
Risk Management	Reasonable
Creditors 2015-16	Limited
Council Tax 2015-16	Comprehensive
IT Governance	Reasonable
Emergency Planning	Comprehensive
Adult Learning Centre	Limited
Overtime Payments	Reasonable
Homes for Older People	Reasonable
School Self-Assessments 2015-16	N/A

All audits leading to a rating of "Limited" or "None" will be brought to the Committee's specific attention. Accordingly, 2 audit assignments

are brought to Committee's attention from this period (Creditors 2015-16 & Adult Learning Centre).

In recent times, 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 summarises the internal audit work completed in the period and seeks to highlight issues which Committee may wish to review in more detail at the next meeting.

## People Services

### Locality Services

#### Overall Control Assurance Rating: Reasonable

This audit focused on reviewing the controls in operation over the Children's Centres in Locality 2, the use of petty cash at Stanley Road and purchase card expenditure on priority families.

From the 23 key controls evaluated in this audit review, 8 were considered to provide adequate control and 15 contained weaknesses. This report contained 13 recommendations, 11 of which were considered to present a low risk, the other 2 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- Petty cash was being used to make regular purchases for a youth club when more appropriate methods were available. (Low Risk)

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- Staff were visiting a bank in a high risk area in order to pay monies in and collect cash to top up a petty cash float, without due consideration to their welfare. (Low Risk)
- The overnight insurance limit for the safe at Stanley Rd was being exceeded if the value of Sainsbury's Vouchers was included. (Low Risk)
- The record of transfer of monies collected by the Youth Club worker to Business Support staff for banking was not being signed to evidence transfer and receipt as per Financial Procedure Rules. (Low Risk)
- There were no formal guidelines in respect of appropriate expenditure for Priority Families particularly for the use of purchase cards. (Moderate Risk)
- Receipts were not always available to support expenditure made on purchase cards. (Low Risk)
- Monthly transaction logs were not being maintained by all cardholders and where a log was in place, expenditure noted had not been verified to a receipt and did not contain confirmation from the Families in receipt of the items purchased. (Low Risk)
- The transaction logs were not being reconciled to the purchase card statement and signed off on a monthly basis, by the relevant card holder. (Low Risk)
- The majority of transactions made by purchase cards for priority families had not been authorised by a Line Manager. (Moderate Risk)
- Room hire invoices were not being raised in a timely manner as per the hire agreements. (Low Risk)
- The Operational Co-Ordinator did not have the facility to identify and pursue any unpaid invoices that she had raised in Oracle. (Low Risk)
- The inventory registers were maintained on unprotected spreadsheets which meant that the integrity of the data could not be maintained. (Low Risk)

- Serial numbers and full descriptions of items had not been recorded on the inventories where appropriate. Items were not security marked. (Low Risk)

All 13 control issues raised within this report were accepted and positive action had already been taken to address 7 of these control issues by the end of the audit and action was agreed to be taken to address 2 of the risks by 31<sup>st</sup> March 2016 and the remaining 4 by 1<sup>st</sup> May 2016.

### Adult Safeguarding

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

This audit focused on reviewing the adequacy of the systems and processes in place for capturing the data needed to complete the Safeguarding Adult Return (SAC) and the Deprivation of Liberty Safeguards (DoLS) Return, under the Mental Capacity Act 2005.

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

- There was limited accountability for the integrity of data used for completing the Safeguarding Adult Collection return and the Deprivation of Liberty Safeguards Data Collection return, as the return completion process was being undertaken across two teams. (Low Risk)
- A formal timetable had not been created and shared with all the relevant officers who were responsible for ensuring that the data required for completing the returns was up-to-date and completed within a specified timeframe. (Low Risk)
- The statistics quoted on the Safeguarding Adults Collection annual return was not easily traceable back to supporting source documents. (Low Risk)

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- The actual procedure for collating the Council's data and completing and submitting the return was not formally documented. (Low Risk)
- There was no official process in place that required the Safeguarding Adult Collection and the Deprivation of Liberty Safeguards Data Collection returns to be independently checked and verified to supporting documents. (Low Risk)
- A routine exercise was not being undertaken to check that all the safeguarding referrals which had been received and logged onto the supporting record maintained for completing the Safeguarding Adult Collection return, had been indexed and properly recorded in Liquid Logic. (Low Risk)

All 6 control issues raised within this report were accepted and positive action was agreed to address all 6 of the control issues by 31<sup>st</sup> October 2016.

### Market Development (Adult Social Care)

Overall Control Assurance Rating: Reasonable

This audit focused on reviewing the adequacy of the processes in place for developing and maintaining the market for the provision of good quality adult social care services. It also looked at the arrangements that were in place for management monitoring of market development activities.

From the 9 key controls evaluated in this audit review, 2 were considered to provide adequate control and 7 contained weaknesses. This report contained 7 recommendations, 6 of which were considered to present a low risk, with the other presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- The Council's website had directed potential customers to a list of over 270 Personal Assistants that were held on a register that was not being properly maintained or regularly checked and updated. (Low Risk)

- The provider failure guidance document was overdue for update and had not been formally approved and fully complied with. (Low Risk)
- Access permissions to the documents that were relevant to an investigation into provider failure were not properly restricted. (Low Risk)
- There was no formal process of communication to alert staff of immediate areas of concern and potential provider failures. (Moderate Risk)
- It was not standard practice for the Council's Market Position Statement to be formally presented to and endorsed by the HWB, and used to drive the development of departmental business plans. (Low Risk)
- An action or delivery plan had not been produced to collate and support the implementation of the development opportunities identified in the Council's Market Position Statement. (Low Risk)
- The progress made in realising the market development opportunities identified by the Council's 'Care and Support for Adults Market Position Statement' was not being formally reported to a senior management team and members. (Low Risk)

All 7 control issues raised within this report were accepted and positive action was agreed to address 1 of the control issues by 30<sup>th</sup> September 2016, another by 31<sup>st</sup> October 2016, 2 more by 31<sup>st</sup> January 2017, 1 by 28<sup>th</sup> February 2017 and the remaining 2 (which includes the moderate risk issue) by 31<sup>st</sup> October 2017.

### Learning Disabilities

Overall Control Assurance Rating: Reasonable

This audit focused on the controls in operation in respect of the arrangements for recharging the NHS for continuing healthcare costs and related performance reporting.

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From the 9 key controls evaluated in this audit review, 5 were considered to provide adequate control and 4 contained weaknesses. This report contained 4 recommendations, 3 of which were considered to present a low risk, with the other presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- There were no formal policies or procedures in place for agreeing the levels of healthcare cost elements to be recharged to the Southern Derbyshire Commissioning Group. (Moderate Risk)
- There was no formal process for informing the Homecare & Charging Manager of cases of charges that needed to be raised against the relevant NHS Trust. (Moderate Risk)
- Invoices for the NHS healthcare contribution for Supported Living customers were only being raised annually rather than monthly in line with Financial Procedure Rules. (Moderate Risk)
- The spreadsheet used to provide performance information was not updated on a regular basis and contained data that was incorrect. (Low Risk)

All 4 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 2 of the issues by 1<sup>st</sup> October 2016 and the remaining 2 by 1<sup>st</sup> April 2017.

### Adult Learning Centre

Overall Control Assurance Rating: **Limited**

Central Midlands Audit Partnership was asked to investigate potential financial irregularities with the manual receipting process for Adult Learning Courses. Our work led to management taking disciplinary action and matters of perceived criminality being referred to the Police. We also identified 6 weaknesses in the system of internal control and recommended control improvements, those being:

- On occasion, cash taken for Adult Learners' Course fees was being stored in marked envelopes in unlocked drawers, before being placed in the safe. (Moderate Risk)

- All of the Adult Learning Assistants had access to the safe and there was no record maintained of the safe's contents. (Moderate Risk)
- The same Adult Learning Assistant performed both a cash receipting function and banking function. (Moderate Risk)
- There was no review or Management check of the payments receipted to the payments banked. (Moderate Risk)
- There was no reconciliation of the income taken to the Adult Learning System, Pro Solution. (Low Risk)
- Receipts for Adult Learners payments had not been completed properly. (Moderate Risk)

All 6 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 3 of the issues by 1<sup>st</sup> March 2016, another by 1<sup>st</sup> April 2016 and the remaining 2 by 1<sup>st</sup> September 2016.

### Homes for Older People

Overall Control Assurance Rating: **Reasonable**

This audit focused on the controls in operation over various financial procedures at Bramblebrook House. This was an unannounced visit that took place as part of a wider audit probity programme.

From the 55 key controls evaluated in this audit review, 37 were considered to provide adequate control and 18 contained weaknesses. This report contained 11 recommendations, all of which were considered to present a low risk. Another 3 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- The authorised signatories on the imprest account did not include the current Care Home Manager, but did include two officers who were no longer appropriate persons to have access to the account. (Low Risk)
- The home did not maintain an asset inventory. (Low Risk)

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- There were two entries identified through review of 8 customer's savings forms (SS84) where there was only a signature from a member of staff: a secondary officer acting as witness had not signed the form. (Low Risk)
- Reconciliation forms for customer's savings had not been signed by a different officer to demonstrate a secondary check for February, March and April 2016. Actual cash values differed to the SS84 form for 4 of the 22 customer's. (Low Risk)
- Cash held in the cash tin and the locked filing cabinet exceeded the £200 insurance limit. (Low Risk)
- Property records were not adequately maintained for items held by the Care Home. (Low Risk)
- Reconciliations between the property records and the items held in the safe were not documented and testing identified items listed on the property records that were not in the safe. (Low Risk)
- Quarterly statements for the amenity fund had not been produced. (Low Risk)
- An annual statement for the Amenity Fund had been produced without reference to the totals on the bank statements, which meant that discrepancies had not been identified. (Low Risk)
- The security arrangements for the payphone were inadequate and income was being allocated incorrectly. (Low Risk)
- Timesheet variation claims had not always been approved by a manager prior to payment. (Low Risk)

All 4 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 2 of the issues by 1<sup>st</sup> October 2016 and the remaining 2 by 1<sup>st</sup> April 2017.

### Communities & Place

#### Waste Management & Disposal

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that an appropriate audit trail was available to support the Council's decision making in accordance with Regulation 13 of the Waste (England & Wales) Regulations. The review also sought to ensure that robust systems were in place in respect of the collation of data for the purposes of waste data flow.

From the 17 key controls evaluated in this audit review, 11 were considered to provide adequate control and 6 contained weaknesses. This report contained 6 recommendations, 3 of which were considered to present a low risk, the other 3 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- The draft Technical Report on Collecting Household Recyclate did not fully reflect the requirements of Step 1 of the Waste Regulations Route Map. (Moderate Risk)
- The draft Technical Report on Collecting Household Recyclate did not fully reflect the requirements of Step 2 of the Waste Regulations Route Map to demonstrate how the materials collected were treated and recycled. (Moderate Risk)
- The Council's draft Technical Report on Collecting Household Recyclate did not fully reflect the requirements of Step 3 of the Waste Regulations Route Map which required that the Waste Hierarchy be applied as part of the assessment. (Moderate Risk)
- The Council's draft Technical Report on Collecting Household Recyclate did not fully reflect the requirements of Step 4 of the Waste Regulations Route Map which required that the tests of necessity and technically, economically and environmentally practical be applied. However, the detail provided was considered brief across all four elements with potentially



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unsubstantiated information referred to as part of the application of one of the tests. (Low Risk)

- The Council's draft Technical Report on Collecting Household Recyclate remained unfinished following the retirement of the Policy and Strategy Manager in June 2015 and had not therefore been signed-off by appropriate senior officers or reported to Council Cabinet. (Low Risk)
- Information supporting the Council's Technical Report on Collecting Household Recyclate was not filed in a suitable manner. Accordingly, there was not an appropriate audit trail linking information to the report and thus demonstrating the relevance and necessity of each piece of information. (Low Risk)

All 6 issues raised within this report were accepted and action was agreed to be taken to address all of the issues raised by 30<sup>th</sup> September 2016.

### Emergency Planning

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

This audit focused on the Emergency Planning provisions in place and assessed whether they were being adequately fulfilled through the Service Level Agreement with Derbyshire County Council.

The Civil Contingencies Act 2004, Civil Contingencies Act Regulations 2005 and Cabinet Office publication "Expectations and Indicators of Good Practice", defined unitary authorities as category 1 responders, giving them duties and responsibilities in relation to risk assessment, planning, business continuity, providing and sharing information, warning and informing, and collaboration and co-operation. The duty to collaborate includes the formation, operation and participation in Local Resilience Forums.

The regulations also allow a category 1 responder to either work jointly with another responder or make arrangements for another responder to perform duties on their behalf. Derby City Council has set up a service level agreement with Derbyshire County Council for

the County to provide the Emergency Planning function on behalf of the City.

From the 24 key controls evaluated in this audit review, 23 were considered to provide adequate control and 1 contained a weakness. This report did not contain any formal recommendations, however 1 minor risk was brought to management's attention.

### Overtime Payments

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

Central Midlands Audit Partnership was asked to investigate concerns in relation to overtime payments made in the Waste Management service. We provided a report to management to consider when deciding whether disciplinary action was required. We also identified 6 weaknesses in the system of internal control and recommended control improvements, those being:

- The process for recording time and claiming overtime had not been documented. (Low Risk)
- Formal timesheets/claim forms were not being used by the Operational Support Officer to claim overtime. (Moderate Risk)
- Excessive overtime was being worked by officers in the Waste Management section. (Low Risk)
- Overwritten information was not being initialled on time recording/overtime records. (Low Risk)
- The Certification/Mileage section was not being regularly completed on the Refuse Timesheets as this information was not always required. (Low Risk)

All 5 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 3 of the issues by 1<sup>st</sup> June 2016, another by 1<sup>st</sup> July 2016 and the remaining 1 by 1<sup>st</sup> August 2016.

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## Organisation & Governance

### Procurement

#### Overall Control Assurance Rating: Reasonable

This audit focused on assessing the Council's compliance with the Public Contract Regulations 2015, through the review of a selection of tenders commencing after 26<sup>th</sup> February 2015 (i.e. the date these regulations came into force).

From the 34 key controls evaluated in this audit review, 22 were considered to provide adequate control and 12 contained weaknesses. This report contained 7 recommendations, 5 of which were considered to present a low risk, the other 2 presenting a moderate risk. Another minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- There were no team training records to demonstrate the professional development of the Procurement Team. (Low Risk)
- Procurement Checklists were not being completed to evidence that the necessary procurement stages had been undertaken and reviewed. (Moderate Risk)
- The justification for choosing the award procedure was not being adequately evidenced on the procurement file. (Low Risk)
- Tender Scoring Sheets had not been signed and dated by the officers completing them and overwriting and/or amendments were not being initialled by the officers concerned. (Low Risk)
- The evaluation of tenders was not being clearly documented to provide for an open and transparent process. (Moderate Risk)
- Checks were not being performed over the winning bidder's self-declared credentials, prior to contract award. (Low Risk)

- Procurement did not maintain a risk register for on-going tender exercises and/or potential issues following contract award. (Low Risk)

All 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 6 recommendations was due to be undertaken by 1st April 2016 and the remaining recommendation was due to be addressed by 1st June 2016.

### Treasury Management 2015-16

#### Overall Control Assurance Rating: Reasonable

This audit focused on reviewing the adequacy of the treasury management governance and performance arrangements, ensuring that adequate training and support was available to officers and Members and treasury management transactions were supported by appropriate evidence and approval.

From the 16 key controls evaluated in this audit review, 8 were considered to provide adequate control and 8 contained weaknesses. This report contained 7 recommendations, all of which were considered to present a low risk. Another minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- The Council was not fully complying with the CIPFA Treasury Management code with respect to arranging training for Members and monitoring the contract with external Advisors. (Low Risk)
- Accountancy had not notified the Insurance Section of changes in staffing within Treasury Management Section that required an amendment to the existing level of insurance cover. (Low Risk)
- The Council had not retained a signed version of the contract between them and the treasury management advisor, and so was not adequately monitoring the effectiveness of service provision. (Low Risk)

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- Members had not received training on treasury management activities since 2011-4 years ago, to enable effective scrutiny and challenge of treasury management activities. (Low Risk)
- Accountancy was not obtaining quotes from more than one broker when preparing investment deals or borrowing arrangements and therefore had no point for comparison. (Low Risk)
- The bank mandate held by the Council was out of date as it retained the details of two officers who had left the Council. (Low Risk)
- The list of users with access to Lloydlink system contained staff who had left the Council, as there was no option on the leavers form on iDerby to notify IT to remove users access rights to Lloydlink system. (Low Risk)

All 7 control issues raised within this report were accepted and positive action had already been taken to address 4 recommendations by the end of the audit. Further positive action for the remaining 3 recommendations was agreed to be addressed by 31<sup>st</sup> March and 30<sup>th</sup> April 2016.

### Grant Certification Audits 2015-16

Overall Control Assurance Rating: **N/A**

Grants covered in 2015/16 audit year for the financial year ended 2014/15:

- Carbon Reduction Commitment
- Local Transport Settlement
- Local Sustainable Transport Funding (LSTF)
- Rogue Landlord Funding
- Bus Service Operators Grant
- Additional Highways Maintenance
- Derby Housing Market Area (HMA)

On the whole, no issues arose from the certification process and we were able to provide a 'comprehensive' assurance score for each of these using our new grant certification assessment criteria.

We raised one supplementary (moderate risk) recommendation relating to the LSTF work as one service had not adhered to Contract Procedure Rules and had not obtained a waiver of the requirement to obtain 3 written quotations for expenditure between £5k – 25k. A supplier was used who was the only possible supplier who could do the work. This however, had not been noted formally and the relevant permissions obtained

### Anti-Fraud & Corruption 2015-16

Overall Control Assurance Rating: **N/A**

Work continued on the NFI matches produced from the data submissions made in Autumn 2014. By the end of March 2016, 1,617 of the 9,967 reported matches had been investigated and £7,770.19 identified for clawback. These matches include a variety of housing benefit based matches and other reports related to payroll, creditors, housing, concessionary travel, residential care homes and blue badges. Progress against the Housing benefit matches was limited due to the transfer of the benefit investigation staff being transferred to the DWP in late 2015. A further NFI matching exercise was carried out, comparing Council Tax single Person Discount cases with Electoral Roll records. This exercise is now being carried out every year, and the results are published just before annual billing, so the majority of progress is made in the following financial year. The 2014/15 exercise produced 2,582 matches to investigate, by March 2016, 531 had been cleared producing a clawback of £90,034.24 and the 2015/16 exercise produced 3,157 matches of which 47 had been cleared, clawing back £4,304.60. Internal Data matching continued; over 16,800 matches were examined. A small number of cases were referred to the Revenues and Payroll teams to allow them to verify the accuracy of their records.

### IT Forensics 2015-16

Overall Control Assurance Rating: **N/A**



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During the 2016/16 audit plan, the IT Audit team was required to provide approximately 15 days of IT forensics services to investigating officers and senior management within Derby City Council and Derby Homes, to support a total of 16 disciplinary investigations, data leakage incidents, and potential security breaches. The IT Auditors provided specialist skills and advice to examine digital evidence (from servers, desktops, mailbox databases and business applications) in a forensically sound manner to preserve supporting evidence and provide facts about the digital information reviewed.

Using specialist forensics software and procedures, we were required to complete a number of specific investigative tasks, including:

- Extracting and preserving a number of mailboxes in order to run targeted key words searches, searches based on date criteria, or to help verify when specific emails had been sent/read/received
- Extracting and preserving operating system logs from Citrix servers and domain controllers to determine user activity and login times within the Council's and Derby Homes networks.
- Extracting, preserving and analysing email server tracking logs to determine email leakage incidents.
- Reviewing email gateway analysis logs to determine why specific emails had been blocked from entering the Council's email systems.

Our forensics work provided evidence in a number of disciplinary hearings where there was determined to be 'case to answer', and in other specific cases disproved specific allegations about employees conduct.

### Debtors 2015-16

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that appropriate and up-to-date guidance was available to staff who had responsibilities for the recovery of monies owed to the Council, and ensuring that there are adequate processes in place to manage the accounts receivable of

the Council. The audit considered the processes of the Debtors team, as well as a sample of representatives from departmental service areas.

From the 10 key controls evaluated in this audit review, 3 were considered to provide adequate control and 7 contained weaknesses. This report contained 5 recommendations, all of which were considered to present a low risk. Another 3 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- Departments throughout the Council were not consistently aware of the outstanding debts in their service area. (**Low Risk**)
- Communications between the Debtors Team and departments was not always effective. (**Low Risk**)
- Debt recovery activity was not being consistently undertaken on a timely basis, or sometimes at all. In some service areas they were not aware that they had responsibilities for recovery of monies owed. (**Low Risk**)
- There was a lack of consistency with regard to the process for identifying irrecoverable debts for write-off and the processing of those write-offs. (**Low Risk**)
- The Debtors team were not reviewing invoices that had been put on hold. This was hindered by information extracted from Oracle not being accurate. (**Low Risk**)

All of the issues raised within this report were accepted. Management agreed to take actions to address all 5 of the issues by 1st October 2016.

### NDR 2015-16

Overall Control Assurance Rating: **Comprehensive**

The audit aims to provide assurance to management, members and external audit that suitable controls are in operation within this key service area. It has focused on checking the adequacy of controls

## Derby City Council – Internal Audit Progress Report

around business rate relief and that recovery action is initiated promptly, is legitimate and appropriate.

From the 18 key controls evaluated in this audit review, 14 were considered to provide adequate control and 4 contained weaknesses. This report contained 3 recommendations which were all considered to present a low risk. Another 1 minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- A formal debt recovery strategy was not in place to provide focus and clear direction to the debt recovery process. (Low Risk- **Risk Accepted**)
- We found that system access to suppress recovery action was not restricted to a minimum number of employees. (Low Risk- **Risk Accepted**)
- The details held on the Academy system to support the decision to suppress recovery action was insufficient and there was no evidence of an independent review of the decision. (Low Risk)

All 3 of the control issues raised within this report were accepted. Positive action was agreed to address 1 of these control issues by 29<sup>th</sup> February 2016. In respect of the other 2 low risk issues, Management decided not to take any mitigating action and chose to accept the risk.

### Housing Benefit & Council Tax Support 2015-16

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the adequacy of the control framework over:

- New claims, including online claims and risk based verification.
- Processing of Real Time Information (RTI) and the impact on benefit payments.
- Overpayments and the overpayment recovery process.
- Appeals and revisions.

From the 46 key controls evaluated in this audit review, 41 were considered to provide adequate control and 5 contained weaknesses. This report contained 3 recommendations which were all considered to present a low risk. Another 2 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- Relevant RTI data had been omitted from the calculation of HB entitlement for 2 cases in the sample reviewed, resulting in overpaid housing benefit. (Low Risk)
- The procedural guidance in place for Overpayments was aged and did not reflect current working practices. (Low Risk)
- The Housing Benefit Overpayments Recovery Strategy was aged and required review and update. (Low Risk)

All of the issues raised within this report were accepted and Management agreed to take action to address 1 of the issues by 5<sup>th</sup> February 2016 with the remaining 2 issues to be addressed by 30<sup>th</sup> June 2016.

### EDRMS Application (Opentext Security)

Overall Control Assurance Rating: **Reasonable**

This audit focused on the security, configuration and management of the production OpenText applications and supporting server infrastructure. We could not provide any assurance on the software licensing compliance, security patch status, technical support agreements, and application support level, as evidence on these checks for part of the application layer of the System could not be obtained by the end of the audit testing deadlines.

From the 52 key controls evaluated in this audit review, 41 were considered to provide adequate control and 11 contained weaknesses. This report contained 7 recommendations, 3 of which were considered to present a low risk, the other 4 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

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- A SYSADMIN account (EDRMS\_LIVE) on the OpenText database server (DCC-CRPSQL210\CRPINST10) had a weak corresponding password. This could be exploited to access highly personal and sensitive metadata stored within the OTCSLIVE10 database, leading to data protection issues. (Moderate Risk)
- The version of SQL Server on the live OpenText database server (DCC-CRPSQL210) was Microsoft SQL Server 2008 R2 (SP1). Extended support for this version of SQL Server ended in October 2013. Unsupported versions of SQL Server are not patched by Microsoft to address newly discovered vulnerabilities, and as such any data processed on these systems is more vulnerable to unauthorised access. (Low Risk)
- There were 2 Serco sub-contractors from Sungard with SYSADMIN permissions over the live OpenText database server, who could not be justified for on-going access. This can expose the highly personal and sensitive data stored within the database to unauthorised access, leading to privacy violations. (Low Risk)
- There were a number of shares on the production OpenText servers where the Everyone group (every user in the network) had been assigned Full control (most powerful NTFS permission typically only assigned to systems administrators). This permission could be misused to affect the availability and integrity of the System, affecting Council service delivery. (Moderate Risk)
- There were 2 users granted membership to the social care adults group, which could access records within the social care area of the OpenText file structure, that could not be justified (HR Assistant and Council Tax Assistant). Furthermore, of the 528 users granted membership to the Social Care Adults group, 110 had never accessed the OpenText content server. Of the 859 users granted membership to the Social Care Children's group, 206 had never accessed the OpenText content server. This can expose sensitive

information about vulnerable adults to unauthorised access, leading to privacy violations. (Low Risk)

- Membership of the system administrator's role group was not restricted to only officers responsible for managing OpenText content server. This could expose sensitive information, such as social care records to unauthorised access, leading to privacy violations. (Moderate Risk)
- There was a relatively small number of documents within the Our Colleagues and Children Registered in Tribal areas of the content server that were accessible to the PUBLIC group (every user with an account in the System). This may expose sensitive information to unauthorised access. (Moderate Risk)

All 7 of the issues raised were accepted and positive actions were agreed to address 1 of the issues by the end of the audit, 4 more issues during February 2016, 1 of the issues by the end of June 2016, and the final issue by the end of September 2016.

### Main Accounting System 2014-15

#### Overall Control Assurance Rating: Reasonable

This audit focused on providing management with assurance as to the adequacy of controls in place for ensuring that:

- Data from feeder systems are completely and accurately transferred to the general ledger.
- Accounting codes on Oracle are effectively administered.
- Year-end procedures are documented and adhered with.
- Key decisions are properly approved.

During the audit a number of management controls were temporarily not operating and, as such, we were not able to complete some of our testing. Management controls could not be adhered to due to the following issues that were occurring for the period under review:

- Council's bank account arrangements had changed.

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- The new (ICON) Income Management System was introduced.
- The next phase of the payroll system had been introduced.
- On-going changes to the Council's senior management structure.

With these matters in mind, the audit review concentrated on the interim procedures, to ensure that they were sufficiently robust.

From the 16 key controls evaluated in this audit review, 10 were considered to provide adequate control and 6 contained weaknesses. This report contained 7 recommendations, 3 of which were considered to present a low risk, the other 4 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- The bank reconciliation had not been completed since the start of the 2015-16 financial year due to issues with ICON, the new income management system, implemented during the busy 2014/15 accounts closedown process and pressures with dealing with the new banking arrangements. (**Moderate Risk**)
- The reconciliation between ICON the income management system and the General ledger had not been completed since June 2015, due to IT technical issues with the ICON system. (**Low Risk**)
- The monthly reconciliation of the payroll to the general ledger was not being checked by a second officer. (**Low Risk – Risk Accepted**)
- Formal records were not being maintained of the monitoring of the closure of the accounts in terms of issue encountered and decisions taken or of the review process taking place after the external audit to identify potential improvements to the process. (**Low Risk – Risk Accepted**)
- The Oracle Cost Centre Code Maintenance form was out of date as it referred to an officer who had left the Council and a post that no longer existed. (**Low Risk**)

- The scheme of delegation was in the process of being revised and updated to reflect the changes to the management structures, but there was no timeframe for when it would be finalised and submitted for formal approval and published. (**Low Risk**)

Positive action was agreed and was already implemented for 2 recommendations by the end of the audit. Management agreed to take action to address another 2 recommendations by 31<sup>st</sup> March 2016. In respect of the 2 remaining issues, officers have chosen to accept the risk. Both of these issues were low risk.

### Wireless Infrastructure

Overall Control Assurance Rating: **Reasonable**

This audit focused on evaluating the arrangements for ensuring the Council's wireless network was being adequately managed, secured and monitored.

From the 11 key controls evaluated in this audit review, 3 were considered to provide adequate control and 8 contained weaknesses. This report contained 7 recommendations, 4 of which were considered to present a low risk, the other 3 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- Section 46.3 of the Contract Procedure Rules was not being adhered to and that there was another undocumented procedure for approving IT hardware purchases. (**Low Risk**)
- There was no 802.11 policy in place to govern the use and security of wireless networks. (**Low Risk**)
- Although independent security assessments of the wireless network were being completed, scans were not being completed to identify rogue access points that could be operating on the corporate network. (**Low Risk – Risk Accepted**)
- There was no Intrusion Detection/Prevention System in place on the wireless network despite there being known security

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vulnerabilities that could be prevented through the deployment of such a system. (Moderate Risk)

- Site surveys were not being completed prior to the installation of wireless access points. (Low Risk – Risk Accepted)
- Two factor authentication was not in place, allowing an unmanaged device to connect to the corporate wireless network. (Moderate Risk)
- Security vulnerabilities identified in penetration scans undertaken by the third party security consultancy had not been addressed. (Moderate Risk)

All 7 control issues raised within this report were accepted and positive action was agreed to be taken to address 5 control issues by 31<sup>st</sup> May 2016. For the remaining 2 low risk control issues management has decided to accept the risk.

### Payroll 2015-16

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that expenses claims from drivers using their own vehicles for work purposes were supported by appropriate documentary evidence and had been subjected to management scrutiny as required by Derby City Council's Financial Procedure Rules and Business Travel Policy.

From the 10 key controls evaluated in this audit review, 2 were considered to provide adequate control and 8 contained weaknesses. This report contained 6 recommendations, 4 of which were considered to present a low risk, the other 2 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- Not all officers submitting expenses claims had completed the Annual Driver Declaration Form. (Low Risk)
- Managers had not been consistently carrying out checks on MOT certificates, driving licences or insurances which contributed to ensuring that officers met the legally required driving standards. (Moderate Risk)

- Not all drivers had been provided with the Driving at Work Employee Information Sheet. (Low Risk)
- Authorising officers had not received training or briefing on the responsibilities put upon them by the Driving at Work Policy, or on the checks to be carried out on claim forms submitted under the new MiPeople e-claim system. (Low Risk)
- Authorising managers were not scrutinising forms to a sufficiently detailed level of accuracy to demonstrate transparency and compliance with policy and procedures. (Moderate Risk)
- The simple checks due to be carried out by the Payroll team on paper-based forms had not been completed in a number of cases. (Low Risk)

All 6 issues raised within this report were accepted. 2 issues were agreed to be addressed by the end of May 2016 and the 4 remaining actions were to be taken by 31<sup>st</sup> October 2016.

### Democratic Services

Overall Control Assurance Rating: **Comprehensive**

This audit focused on reviewing the adequacy of controls for ensuring that reports to Members/Cabinet are timely, properly completed and authorised, to provide assurance on the effectiveness of the process.

From the 9 key controls evaluated in this audit review, 4 were considered to provide adequate control and 5 contained weaknesses. This report contained 3 recommendations which were all considered to present a low risk. Another 2 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- There was no mechanism for tracking progress of reports on the Forward Plan; from when they are recorded, to when presented to Cabinet, withdrawn or carried forward. (Low Risk)



## Derby City Council – Internal Audit Progress Report

- A large proportion of the elements that required 'sign off' by professional services were not being passed to them for comment. (Low Risk)
- The 'sign off' process was not being applied consistently to reports presented to Committees other than Cabinet. (Low Risk)

All of the control issues raised within this report were accepted and positive action was agreed to be taken by 1<sup>st</sup> July 2016 to address all weaknesses.

### Teacher's Pensions 2014-15

Overall Control Assurance Rating: **Reasonable**

This audit focused on the controls in operation over the calculation and submission of contributions made to Teacher's Pensions (TP). We acknowledge that the Council's external auditors (Grant Thornton) were also required to undertake a range of testing as determined by TP. They have provided written assurance, certifying the claim without amendment or qualification. However, since this audit TP have written to the Council stating that they are unable to reconcile or sign off the return; so our recommendations are aimed at improving the processes, to prevent future challenges.

From the 11 key controls evaluated in this audit review, 3 were considered to provide adequate control and 8 contained weaknesses. This report contained 5 recommendations, all of which were considered to present a low risk. Another 2 minor risk issues were also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- Contributions payments made to Teachers Pensions by Accountancy were based on estimated payroll details, because of failure by some Schools to provide payroll details and respective payments within the prescribed deadlines. (Low Risk)
- The Accountancy Section was not verifying the completeness and accuracy of payroll data submitted by DCC Payroll and Schools' payroll providers. (Low Risk)

- The total for employers' pension contributions noted on the end of year certificate was incorrect as the wrong percentage had been applied to the pensionable pay in computing the contributions. (Low Risk)
- There were a number of differences between the reports from Teacher's Pensions of additional contributions and the actual contributions being made through the payroll system. (Low Risk)
- Derby City payroll reports included percentages of employee contributions which appeared to be higher than the tiers prescribed by TP. These had been incorrectly allocated on the end of year report. (Low Risk)

All 5 of the control issues raised within this report have been accepted and positive action has already been taken for 3 of the issues with the remaining 2 issues being addressed by 24<sup>th</sup> June 2016.

### Risk Management

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing the robustness of Risk Management arrangements in place and how effectively Risk Management has been embedded throughout the Council.

From the 45 key controls evaluated in this audit review, 30 were considered to provide adequate control and 15 contained weaknesses. This report contained 9 recommendations, 8 of which were considered to present a low risk, the other 1 presenting a moderate risk. Another 1 minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- The Strategic Risk Register was in draft format and had not been considered by Senior Management at the Council or Members. (Moderate Risk)
- Operational risks were documented once a year through the business planning process: there was not a formal process for

## Derby City Council – Internal Audit Progress Report

considering the risks throughout the year and documenting any changes to risks and controls. (Low Risk)

- The Strategic Risk Register did not have an explicit link to the corporate objectives of the Council. (Low Risk)
- Officers had not familiarised themselves with the risk management guidance that had been published on iDerby and had not attended training that explained the Council's risk management framework and made clear their duties. (Low Risk)
- We noted instances where risks had not been scored and/or controls had not been listed; it was therefore not possible to identify if the Council intended to treat, tolerate, terminate or transfer those risks, nor was it possible to identify if the intended actions had an effect on the impact or likelihood of the risk occurring. (Low Risk)
- The monitoring and reporting arrangements that were set out within the Risk Management Handbook were not being strictly adhered to in practice. (Low Risk)
- The Audit & Accounts Committee had not received the Strategic Risk Register during the financial year. (Low Risk)
- Service Plan Risk Registers were incomplete and contained inaccuracies or errors. (Low Risk)
- There was not a risk management information system in use at the time of audit. (Low Risk)

All 9 of the issues raised within this report were accepted.

Management had taken action to address 1 of the issues with immediate effect. Management agreed to take actions to address 1 of the issues by July 2016, 1 of the issues by August 2016, 4 of the issues by October 2016 and the remaining 2 issues by April 2017.

### Creditors 2015-16

Overall Control Assurance Rating: **Limited**

This audit focused on reviewing the controls over the creditor process, from the raising of orders through to the payment of

suppliers, to provide management with assurance as to their adequacy.

From the 21 key controls evaluated in this audit review, 13 were considered to provide adequate control and 8 contained weaknesses. This report contained 9 recommendations, 5 of which were considered to present a low risk, the other 4 presenting a moderate risk. Another 1 minor risk issue was also highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

- Accounts Payable Section were no longer able to undertake daily checks to highlight duplicate payments, as per a previous audit's recommendation. Reliance was being placed on the budget monitoring work of Accountancy to highlight potential duplicate payments. (Moderate Risk)
- Requests to make amendments to supplier account details, including bank details were not always being processed within set target time. (Low Risk)
- We confirmed that records to support bank detail changes for 10 amendments had not been attached to the Oracle supplier record and could not be located on the network by Accounts Payable. (Moderate Risk)
- We confirmed that the checks on supplier account amendments were no longer being conducted. (Low Risk)
- We confirmed that validation checks on daily inputs of invoices by the AP Manager had not been completed since July 2015. (Moderate Risk)
- There was no procedural guidance in place to support the process to approve a BACS transaction within the PayGate system. (Low Risk)
- The PayGate system did not produce exception reports to highlight to management when a change had been made to the user permissions by the Systems Administrator allowing a creator to also become an approver. (Low Risk)

## Derby City Council – Internal Audit Progress Report

- We confirmed that VAT was not being accounted for correctly for suppliers with multiple sites, because of an issue within the Oracle AP system. (Moderate Risk)
- We confirmed that supplier VAT records had not been checked since a list had been produced by Oracle Admin in July 2015. (Low Risk)

All 9 of the issues raised within this report were accepted. Management had taken action to address 7 of the issues with immediate effect. Further positive action was agreed for the remaining 2 issues; one to be addressed by 1<sup>st</sup> September and the other to be revisited in January 2017.

### Council Tax 2015-16

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

This audit focused on reviewing the controls in operation over amendments to liabilities and accounting for income (payments) and access to system.

From the 11 key controls evaluated in this audit review, 10 were considered to provide adequate control and 1 contained weaknesses. This report contained 1 recommendation which was considered to present a low risk. The following issue was considered to be the key control weakness:

- There were a large number of payments dating back for up to nine years which remained unallocated in the Council Tax suspense account. (Low Risk)

The control issue raised within this report was accepted and positive action was agreed to be taken to address the issue by 31<sup>st</sup> August 2016.

### IT Governance

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

This audit focused on reviewing the Council's IT strategic objectives, to provide assurance that they align with its business strategies and support its overall goals.

From the 16 key controls evaluated in this audit review, 9 were considered to provide adequate control and 7 contained weaknesses. This report contained 5 recommendations, 4 of which were considered to present a low risk, the other 1 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- The Terms of Reference for the IS Strategy Board had not been updated to reflect the changes from the reconstitution of the ICT Strategy Board in 2013, nor had they been formally approved. (Low Risk)
- Management and staff within the IS department had not attained the relevant levels of qualifications stipulated in the Strategy, to ensure adherence to the adopted best practice governance framework. (Low Risk)
- The IS Strategy Board were not holding regular meetings and where meetings were held, they were not being properly minuted to record discussions and decisions made. (Low Risk)
- Decisions made by the IS Strategy Board were not being clearly documented. (Low Risk)
- IT investment approvals were not being recorded in the relevant business case document. (Moderate Risk)

All 5 of the issues raised were accepted and positive actions were agreed to address 3 of the issues by the end of April 2016, 1 of the issues by the end of June 2016, and the final issue by the end of March 2017.

### Schools Financial Value Standards (SFVS) 2015-16

#### Overall Control Assurance Rating: **N/A**

The Council's Chief Financial Officer is required by the DfE to complete a Schools Financial Value Standard (SFVS) return each year. In order to fulfil the Chief Financial Officers responsibility, Internal Audit co-ordinates an annual exercise whereby every schools completes a SFVS self-assessment. On a four year cyclical basis, we



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perform an independent assessment of each school against the standard.

The Council's 82 schools completed a SFVS self-assessment and returned it to the Internal Audit service. We also visited 21 schools to perform an independent assessment of their performance against the following SFVS objectives:

- A. The school has adequate corporate governance arrangements in place to ensure that the Headteacher, staff and governors are able to fulfil their financial management roles, responsibilities and accountabilities properly.
- B. To ensure that adequate and effective procedures are in place for the preparation, monitoring and control of school budgets and financial records are properly maintained.
- C. To ensure schools procedures and processes for acquiring goods and services provide best value.
- D. To ensure the proper administration and the adequate security arrangements are in place to protect school assets.

For 18 schools we were able to offer comprehensive assurance as to the adequacy of standards of financial management at the school during the year and 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.

For 2 schools we were able to offer reasonable assurance as to the adequacy of standards of financial management at the school during the year and 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.

For one school (Pear Tree Community Junior) we were only able to offer limited assurance as to the adequacy of standards of financial management at the school during the year 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.

We found that the key weaknesses in control were in relation to:

- Inadequate procedures for the processing and approval of variations to pay.
- The majority of schools were not using the Oracle Iproc system to raise purchase orders.
- Whistleblowing policies were not always up-to-date and available to staff.
- Private school funds were not being independently audited on an annual basis.
- Asset registers were not being kept up-to-date.

The weaknesses identified occurred in at least one third of the schools visited. If we identified weaknesses in control, we made formal recommendations to the school for action.

## Derby City Council – Internal Audit Progress Report

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## Audit Performance

### Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The chart across summarises the average score for each question from the 103 responses received between 1<sup>st</sup> April 2013 and 31<sup>st</sup> August 2016. The overall average score from the surveys was 50.0 out of 55. The lowest score received from a survey was 29, whilst the highest was 55 which was achieved on 32 occasions.

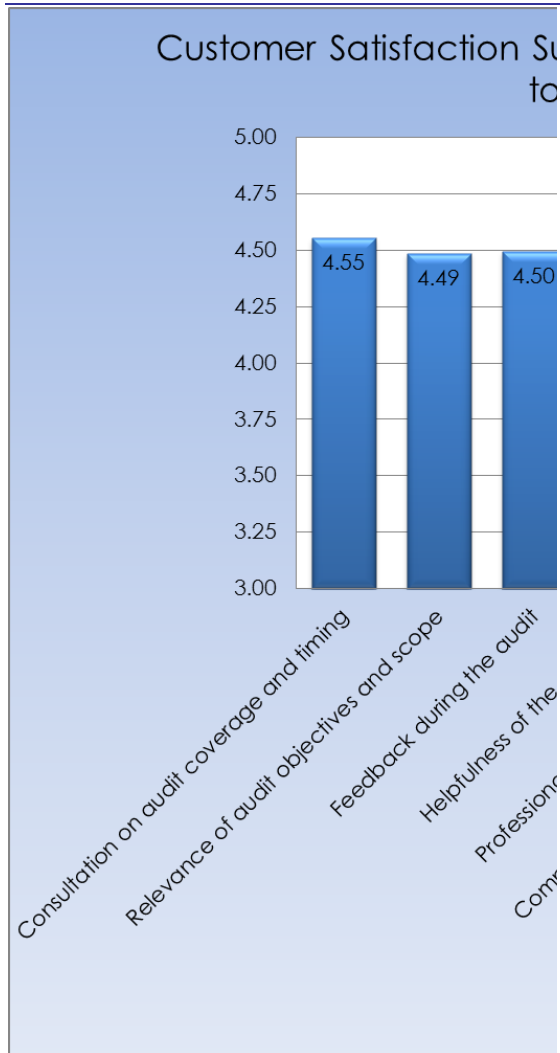
The overall responses are graded as either:

- 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 76 of 103 responses categorised the audit service they received as excellent, another 25 responses categorised the audit as good and 2 categorised the audit as

fair. There were no overall responses that fell into the poor or very poor categories.

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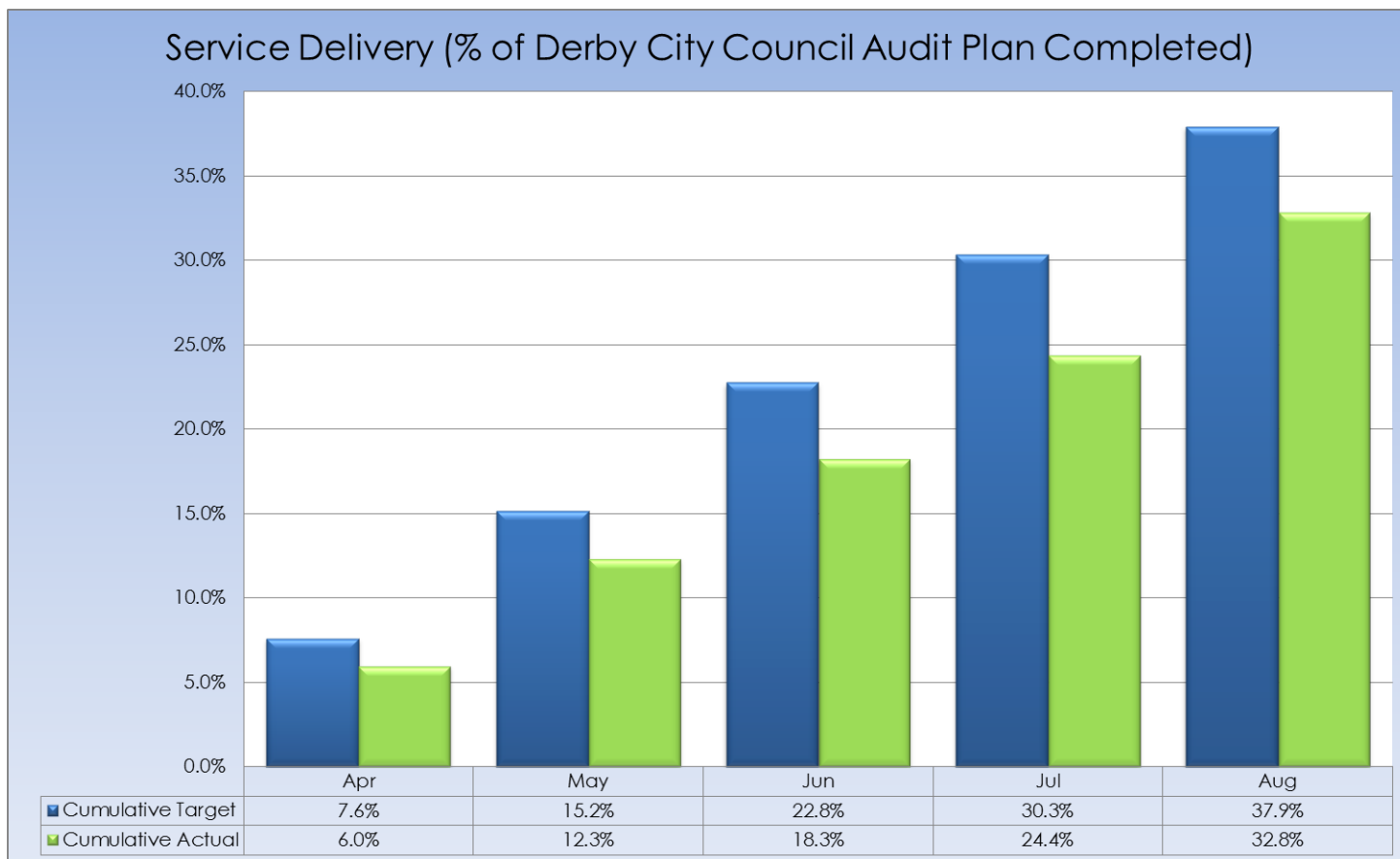
## Audit Performance

### 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 Derby City Council's 2016-17 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 has sent emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We will request an update on each recommendation's implementation status, which will be fed back into the database, along with any revised implementation dates. 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(Due)** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Blank (Not Due)** = Action is not due yet, so Audit has not followed up.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **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)
- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.

### Implementation Status Details

Reports to Committee are 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 made between 1<sup>st</sup> April 2013 and 31<sup>st</sup> August 2016. All recommendations made prior to this period have now been resolved.

	Implemented	Being Implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	277	15	19	2	12	32	<b>357</b>
Moderate Risk	96	8	7	3	6	8	<b>128</b>
Significant Risk	3	2	1	1	1	0	<b>8</b>
Critical Risk	0	0	0	0	0	0	<b>0</b>
<b>Totals</b>	<b>376</b>	<b>25</b>	<b>27</b>	<b>6</b>	<b>19</b>	<b>40</b>	<b>493</b>

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

Recommendations Not Yet Implemented	Anti-Fraud & Corruption	People Services	Organisation & Governance	Communities & Place	TOTALS
Being Implemented	0	2	19	4	<b>25</b>
Action Due	7	2	10	0	<b>19</b>
	<b>7</b>	<b>4</b>	<b>29</b>	<b>4</b>	<b>44</b>

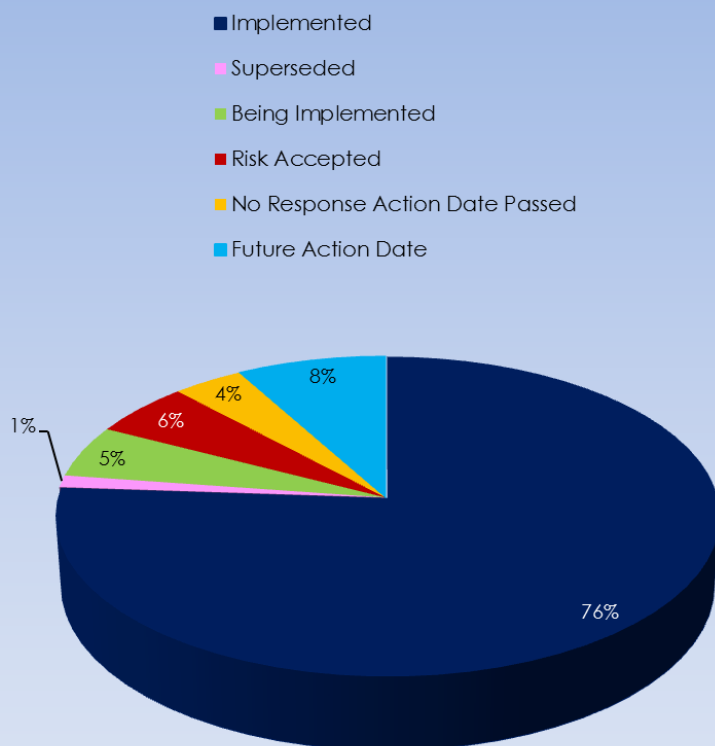
Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. 19 of the risk accepted issues shown above have already been reported to this Committee. Management has chosen to accept the risk on another 6 low risk issues that have been highlighted in the body of this report.

# Derby City Council – Internal Audit Progress Report

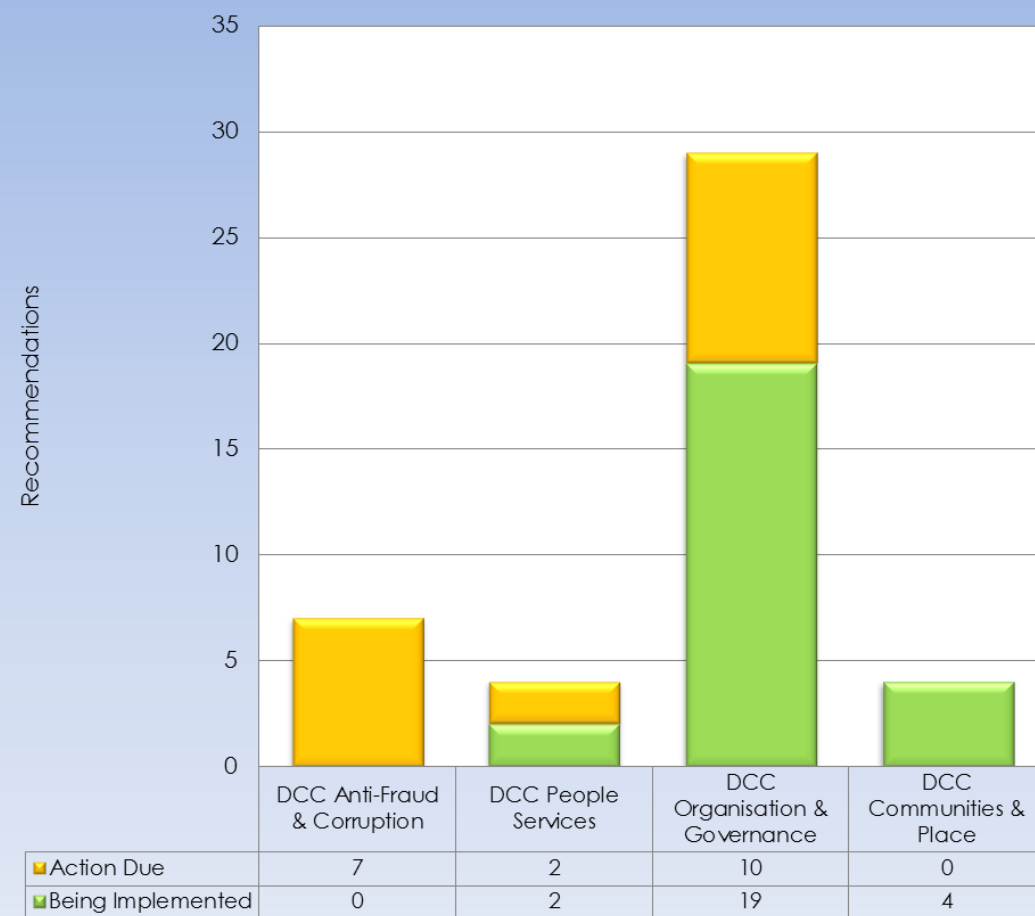
## Recommendation Tracking

### Implementation Status Charts

Action Status of Recommendations made between 1st Apr 2013 and 31st Aug 2016



Recommendations Not Yet Implemented by Department



# Derby City Council – Internal Audit Progress Report

## Recommendation Tracking

### Recommendations Not Yet Implemented

#### Anti-Fraud & Corruption

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Action is Due & we are Unable to Obtain a Response	Final Report Date
Overtime Payments	0	4	16-May-16
Adult Learning Centre	0	3	16-May-16
<b>Total No. of Outstanding Recommendations</b>	<b>0</b>	<b>7</b>	

#### People's Services

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Action is Due & we are Unable to Obtain a Response	Final Report Date
Learning Disabilities	0	1	19-Jul-16
Safeguarding Missing Children	1	1	30-Jun-15
Integrated Commissioning & Transition of Younger Adults	1	0	10-Sep-15
<b>Total No. of Outstanding Recommendations</b>	<b>2</b>	<b>2</b>	

#### Communities & Place

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Action is Due & we are Unable to Obtain a Response	Final Report Date
Bereavement Services	1	0	31-Jul-15
Asset Management & Estates	2	0	3-Mar-15
Markets	1	0	19-Nov-13
<b>Total No. of Outstanding Recommendations</b>	<b>4</b>	<b>0</b>	



# Derby City Council – Internal Audit Progress Report

## Organisation & Governance

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Action is Due & we are Unable to Obtain a Response	Final Report Date
Liquid Logic Security Assessment		1	n/a
Creditors 2015-16		1	5-Aug-16
Risk Management 2015-16	1	1	22-Jun-16
Council Tax 2015-16		1	23-Jun-16
Housing Benefits & Council Tax Support 2015-16	2		28-Jan-16
Democratic Services		2	7-Jun-16
Sickness Absence		1	28-Aug-15
Teachers Pensions 2014-15	1		23-Jun-16
EDRMS Application	1		2-Feb-16
Main Accounting System 2014-15		2	7-Mar-16
Debtors 2014-15	1		27-Jul-15
Business Support	1		28-Aug-15
Configuration Management	3		22-Apr-15
Network Access Management	1		15-Jul-15
Wireless Network Infrastructure	3		31-Mar-16
Oracle Business Intelligence		1	3-Jul-15
Virtualisation Management	2		28-May-15
Data Quality 2013-14	2		17-Dec-14
VOIP Security Assessment	1		12-Dec-13
<b>Total No. of Outstanding Recommendations</b>	<b>19</b>	<b>10</b>	

# Derby City Council – Internal Audit Progress Report

## Recommendation Tracking

### Highlighted Recommendations

We have included this section of this report to bring recommendations to your attention for either of the following reasons:

- Any Moderate, Significant or Critical risk recommendations (either being implemented or with no response) that have passed their original agreed implementation date.
- Any recommendations still to be implemented (regardless of risk rating) where it has been more than a year since the original agreed implementation date.

### Anti-Fraud & Corruption

#### Overtime Payments

**Control Issue2** - Formal timesheets/claim forms were not being used by the Operational Support Officer to claim overtime.

**Risk Rating** – Moderate Risk

**Status Update** –No Response Received.

<b>Original Action Date</b>	1 Jun 16	<b>Revised Action Date</b>	n/a
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#### Adult Learning Centre

**Control Issue2** - All of the Adult Learning Assistants had access to the safe and there was no record maintained of the safe's contents.

**Risk Rating** – Moderate Risk

**Status Update** –No Response Received.

<b>Original Action Date</b>	1 Sep 16	<b>Revised Action Date</b>	n/a
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### Community & Places

#### Asset Management & Estates

**Control Issue1** - The asset list submitted for insurance did not reflect asset transactions undertaken outside of the Estates Section. The SAM system had not been updated as there was no process for notifying Estates of these changes.

**Risk Rating** – Significant Risk

**Status Update** - The revised Corporate Landlord Policy and Procedure is at draft stage and is being reviewed. This will enforce all property transactions to be approved by the Head of Strategic Asset management and estates and will ensure that transactions do not take place outside of the SAM system. There will be some system updates required to allow for full automation of notifications between the various key teams (legal, maintenance, insurance, capital accounts) which will enhance the information flow between teams.

<b>Original Action Date</b>	1Sep 15	<b>Revised Action Date</b>	31Dec 16
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**Control Issue**5–Some data relating to changes in the commercial property estate was not being routinely shared with other Sections who need the information.

**Risk Rating** – Low Risk

**Status Update** –this issue will be resolved when the revised Corporate Landlord Policy and Procedure is in place, as this will ensure that all transactions take place under SAM, and this will include the NDR and GIS information streams.

**Original Action Date** 1 Sep 15      **Revised Action Date** 31 Dec 16

### Markets

**Control Issue** 4 –There was no approved Council policy in place for offering concessions on rental charges to market stall traders in the Council's three markets.

**Risk Rating** – Moderate Risk

**Status Update** –The current markets offering is going through a significant period of transformation with approvals in place for the disposal of the Wholesale & Cattle Markets, negotiations on-going with INTU about the future management of the Eagle Market and various options under consideration about the future of Allenton Market. These changes will result in just the Market Hall and this could be managed in a different way, being left. When all these changes have been implemented a Markets Policy, including any concessionary model, will be drafted and implemented. Dependant on the timing of the changes, it is anticipated that this action will be completed by 31 March 2017

**Original Action Date** 1 Jan 14      **Revised Action Date** 31 Mar 17

### People's Services

#### Learning Disabilities

**Control Issue**1 - There were no formal policies or procedures in place for agreeing the levels of healthcare cost elements to be recharged to the Southern Derbyshire Commissioning Group..

**Risk Rating** – Moderate Risk

**Status Update** - No Response Received.

**Original Action Date** 1 Sep 16      **Revised Action Date** n/a

### Organisation & Governance

#### Main Accounting System 2014-15

**Control Issue**1 –The bank reconciliation had not been completed since the start of the 2015-16 financial year due to issues with ICON, the new income management system implemented during the busy 2014/15 accounts closedown process and pressures with dealing with the new banking arrangements.

**Risk Rating** – Moderate Risk

**Status Update** –No Response Received.

**Original Action Date** 31 Mar 16      **Revised Action Date** n/a

#### Risk Management 2013-14

**Control Issue**1 –The Council's appetite for risk had not been adequately communicated throughout the organisation, nor had it been reconsidered since it was agreed in September 2010. There was not a culture at the Council of responding to risk taking behaviours that were in or out of line with the agreed risk appetite.

**Risk Rating** – Moderate Risk

**Status Update** –The SRG went to COG in early August 2016. An overview form has been drafted that attaches to each strategic risk

## Derby City Council – Internal Audit Progress Report

to determine if assurance can be given. This was also on the COG agenda. Audit & Accounts has not occurred since the below recommendation was made. The next meeting is in September. The Strategic Risk Register should be included in this meeting.

Original Action Date 30 Jun 14      Revised Action Date 30 Sep 16

### Network Access Management

**Control Issue 2** – We found 50,622,078 instances across the 6 Council File Servers, where a user, group or service account had full control of the contents of a folder. This included 74,180 instances where the Everyone group had full control and 122,222 instances where the BUILTIN\Users group had full control.

Risk Rating – **Significant Risk**

Status Update – Policies will be reviewed as part of a wider project to refine Group Policies.

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

### VOIP Security Assessment

**Control Issue 1** – We found that neither VoIP data nor signalling media were encrypted to prevent voice conversations being recorded by malicious users.

Risk Rating – **Moderate Risk**

Status Update – Implementation in progress

Original Action Date 31 Jul 14      Revised Action Date 1 Dec 16

### Creditors 2015-16

**Control Issue 1** – Accounts Payable Section was no longer able to undertake regular checks to highlight duplicate payments. Reliance

was being placed on the budget monitoring work of Accountancy to highlight potential duplicate payments.

Risk Rating – **Moderate Risk**

Status Update – No Response Received

Original Action Date 1 Sep 16      Revised Action Date n/a

### Debtors 2014-15

**Control Issue 2** – It appeared that departments were not acting on reports received and outstanding debts were not being monitored and action taken to write-off or suspend service provision. Organisational restructures meant that the responsibility for older debts was not necessarily assigned to the correct department.

Risk Rating – **Moderate Risk**

Status Update – Waiting for decision on one off write off exercise. Awaiting information as to whether reports can be amended / created.

Guidance added to iDerby but not referenced in Managers briefing yet. Further work being carried out on the 'write off' issue with a report to be drafted by HoS.

Original Action Date 30 Nov 15      Revised Action Date 1 Nov 16

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### Oracle Business Intelligence

**Control Issue1** –The Oracle Business Intelligence Enterprise Edition (OBIEE) environment was not subject to formal internal or external support, and current employees in business systems and accountancy did not have access to a number of the management tools that would be required to effectively manage the System. Ultimately lack of support jeopardises the availability, integrity and confidentiality of the System.

**Risk Rating** – Significant Risk

**Status Update** –No Response Received.

**Original Action Date** 31 Dec 15      **Revised Action Date** n/a

### Configuration Management

**Control Issue1** –There were no formally defined or documented requirements around configuration management data scope, span or granularity. Without formally defining and documenting requirements around data capture and maintenance within a CMDB (Configuration Management Database), there is no platform on which to identify defects, data quality issues and non-compliance problems.

**Risk Rating** – Moderate Risk

**Status Update** –Policies to be reviewed by the end of the year.

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

**Control Issue4** –There were no formally defined, documented or implemented procedures for auditing and verifying the accuracy of data within the CMDB. Documented audit and verification procedures are crucial to validate and improve the accuracy and completeness of the CMDB, to ensure timely and accurate data is available for resolving IT incidents and considering changes.

**Risk Rating** – Moderate Risk

**Status Update** –Policies to be reviewed by the end of the year.

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

### Data Quality 2013-14

**Control Issue 6** –There was no documented methodology for the collection and recording of the Street Cleanliness performance data.

**Risk Rating** – Low Risk

**Status Update** –The reason for the delay was the planned implementation of a consolidated online form within Lagan and hence a change to the process. This is no longer happening so the process remains the same. Work needs to be undertaken by the Performance and Intelligence Team to try and streamline the reports and add on any extra filters needed to improve the collation and reporting process. New planned date for implementation 01/04/2016

**Original Action Date** 31 Mar 15      **Revised Action Date** 1 Apr 16

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**Control Issue 7** –The Compiling Officer was required to undertake additional filtering of the information reported from the Lagan system in order to identify the required information. This process could be open to error and may compromise the integrity of the performance data.

**Risk Rating** – Low Risk

**Status Update** –The reason for the delay was the planned implementation of a consolidated online form within Lagan and hence a change to the process. This is no longer happening so the process remains the same. Work needs to be undertaken by the Performance and Intelligence Team to try and streamline the reports and add on any extra filters needed to improve the collation and reporting process. New planned date for implementation 01/04/2016

**Original Action Date** 31 Mar 15      **Revised Action Date** 1 Apr 16

### Wireless Network Infrastructure

**Control Issue 4** –There was no Intrusion Detection/Prevention System in place on the wireless network despite there being known security vulnerabilities that could be prevented through the deployment of such a system.

**Risk Rating** – Moderate Risk

**Status Update** –Some issues with resources at Updater, IT requested an extension to address this issue.

**Original Action Date** 1 Jun 16      **Revised Action Date** 31 Oct 16

**Control Issue 7** –Security vulnerabilities identified in penetration scans undertaken by the third party security consultancy had not been addressed.

**Risk Rating** – Moderate Risk

**Status Update** –Some issues with resources at Updater, IT requested an extension to address this issue.

**Original Action Date** 1 Apr 16      **Revised Action Date** 31 Oct 16

### Liquid Logic Security Assessment

**Control Issue 3** –The live Liquid Logic database server was running an unsupported build of SQL Server. Version 10.50.1600.00 (SQL Server 2008 R2 RTM) is no longer supported by Microsoft.

**Risk Rating** – Moderate Risk

**Status Update** –No Response Received.

**Original Action Date** 10 Aug 16      **Revised Action Date** n/a