central midlands audit partnership

Derby City Council – Internal Audit Progress Report
(Covering the period September 2016toNovember2016)

Audit & Accounts Committee: 30thNovember 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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Providing Excellent Audit Services in the Public Sector

Derby City Council – Internal Audit Progress Report

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 11th November 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	45%
Business Intelligence	Systems/Risk Audit	In Progress	60%
Fixed Assets 2015-16	Key Financial System	Final Report	100%
Main Accounting System (MTFP) 2015-16	Key Financial System	Final Report	100%
Insurance	Systems/Risk Audit	Final Report	100%
Income Management (Civica ICON)	IT Audit	In Progress	55%
MiPeople Application	IT Audit	In Progress	75%
Active Directory	IT Audit	Fieldwork Complete	80%
Highways & Engineering	Systems/Risk Audit	In Progress	50%
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%

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Investigation - Adult Learning Centre	Investigation	Final Report	100%
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	In Progress	15%
Adult Safeguarding	Systems/Risk Audit	Final Report	100%
SEND - Local Offer - Travel & Other Support	Systems/Risk Audit	Fieldwork Complete	80%
Looked After Children (LAC) Strategy & Reviews	Systems/Risk Audit	Allocated	0%
Fostering Services	Systems/Risk Audit	Draft Report	95%
Child Protection - Local Authority Designated Officer (LADO)	Systems/Risk Audit	Draft Report	95%
Priority Schools Building Programme	Systems/Risk Audit	Allocated	0%
Public Health - Commissioning	Systems/Risk Audit	Final Report	100%
Public Health - Pooled Budgets	Systems/Risk Audit	In Progress	75%
Data Quality & Performance	Governance Review	Allocated	10%
People Management	Systems/Risk Audit	Fieldwork Complete	80%
Grant Certification Work 2016-17	Grant Certification	In Progress	65%
Treasury Management 2016-17	Key Financial System	Allocated	10%
Taxation 2016-17	Systems/Risk Audit	Allocated	10%
Procurement Monitoring	Procurement/Contract Audit	In Progress	65%
Revenue Contracts	Procurement/Contract Audit	Allocated	10%
Payroll	Key Financial System	In Progress	30%
Information Governance	Governance Review	Draft Report	95%
RIPA	Governance Review	Final Report	100%
Cyber Security	IT Audit	In Progress	60%
Liquid Logic Security Assessment	IT Audit	In Progress	50%
Website Review	IT Audit	In Progress	25%
Derby Arena	Systems/Risk Audit	In Progress	75%
Section 106 Agreements	Systems/Risk Audit	In Progress	60%
Licensing	Systems/Risk Audit	Draft Report	95%
Trading Standards	Systems/Risk Audit	Draft Report	95%
Emergency Planning	Systems/Risk Audit	Final Report	100%
Health & Safety	Governance Review	Fieldwork Complete	80%
Economic Regeneration	Systems/Risk Audit	In Progress	35%
External Funding	Systems/Risk Audit	Allocated	10%
Commercial Rents	Systems/Risk Audit	Reviewed	90%
Property Maintenance	Systems/Risk Audit	Allocated	35%
Peartree Junior School	Investigation	In Progress	20%
Homes for Older People	Anti-Fraud/Probity/Ethics	Final Report	100%
Purchase Cards	Anti-Fraud/Probity/Ethics	Reviewed	90%

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Springwood Leisure Centre	Anti-Fraud/Probity/Ethics	Final Report	100%
Vulnerable Adults Payments	Anti-Fraud/Probity/Ethics	Final Report	100%
Morleston Day Centre	Anti-Fraud/Probity/Ethics	Reviewed	90%
Various Cash-ups	Anti-Fraud/Probity/Ethics	In Progress	50%
Farmers Market	Anti-Fraud/Probity/Ethics	Reviewed	90%
Schools SFVS Self Assessment 2016-17	Schools	In Progress	50%
18 Schools SFVS Assessments	Schools	Allocated	Various

8planned audit assignmentshave yet to be allocated.

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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 atas at 31stOctober 2016. Of the 27 assignments allocated but not yet started, 18 relate to School's Financial Value Standard reviews.

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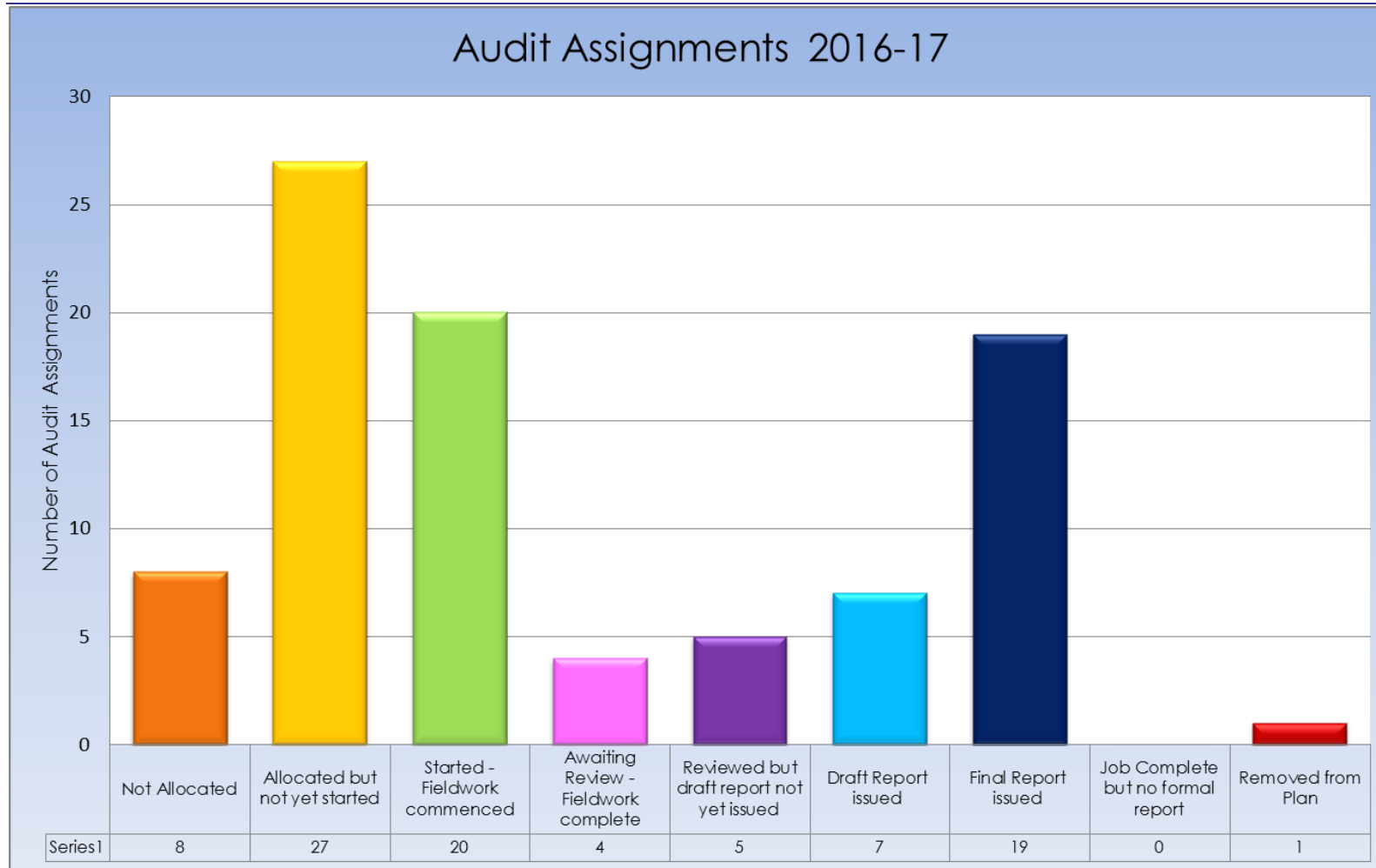
Audit Coverage

Completed Audit Assignments

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Between 1st September 2016 and 11th November 2016 Internal Audit has completed the following 4 audit assignments for Derby City Council:

Audit Assignment	Overall Assurance Rating
Main Accounting System (MTFP)	Reasonable
Insurance	Reasonable
Regulation of Investigatory Powers Act (RIPA)	Reasonable
Fixed Assets (Infrastructure) 2015-16	Reasonable
Springwood Leisure Centre	Reasonable
Public Health Commissioning	Comprehensive
Vulnerable Adults Payments	Reasonable

All audits leading to a rating of "Limited" or "None" will be brought to the Committee's specific attention. Accordingly, no audit assignments are brought to Committee's attention from this period.

We no longer 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.

Organisation & Governance

Main Accounting System (MTFP)

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that the model underpinning the Council's Medium Term Financial Plan (MTFP) was accurate and free from error. It also sought to ensure that there was an established protocol in respect of the Council's earmarked reserves.

From the 21 key controls evaluated in this audit review, 10 were considered to provide adequate control and 11 contained weaknesses. This report contained 8 recommendations, all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

- The Council's current MTFP spreadsheet model was not password protected to ensure access was controlled and limited to specific officers who required access in line with their duties. (Low Risk)

- The tracked changes facility within the MTFP spreadsheet model had not been activated, to allow for an audit trail of changes made to the information to be obtained. (Low Risk – **Risk Accepted**)

- Changes made to the Council's MTFP model were not being verified to original source data to confirm its accuracy. (Low Risk – **Risk Accepted**)

- The MTFP model was not subject to review or logic inspection by an officer who was independent of its use. (Low Risk)

- Crucial formulae and information within the Council's MTFP spreadsheet model had not been protected to prevent accidental change or unauthorised amendment. (Low Risk)

- An assessment of risks had not been included in the MTFP report to demonstrate the potential impact of internal and external risks on the Council's financial position. (Low Risk – **Risk Accepted**)

- The Council had not established a protocol setting out specific details regarding its earmarked reserves. This was in accordance with best practice guidance issued by CIPFA's Local Authority Accounting Panel. (Low Risk)

- Whilst an assessment had been produced to identify potential risks which could impact on the Council's reserve balances, no assessment had been included to rate whether the risk was considered to be high, medium or low, to demonstrate the likelihood of the risk occurring. (Low Risk)

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All 8 issues raised within this report were accepted. Action had already been taken to address 2 of the issues raised by the end of the audit, with action being agreed to be taken on another issue by 30thNovember 2016. Action was also agreed to be taken to address two further issues by 28thFebruary 2017. Management has decided to accept the risk in respect of three of the issues (highlighted above) raised and will take no further action.

Insurance

Overall Control Assurance Rating:**Reasonable**

This audit focused on reviewing the adequacy of controls over the management of the Council's insurance arrangements.

From the 22 key controls evaluated in this audit review, 13 were considered to provide adequate control and 9 contained weaknesses. This report contained 5 recommendations, 3 of which were considered to present a low risk, the other 2 presenting a moderate risk.Another 4 minor risk issues have been highlighted for management's consideration.The following issues were considered to be the key control weaknesses:

- The Insurance Handbook did not have version control to indicate the most up-to-date guidance.(Low Risk)
- FRP were not being adhered with as there was no formal process in place for the Insurance Section to be notified of changes in the Council's asset portfolio and the process for issuing reminders to Departments was inconsistent.(Moderate Risk)
- Periodic software upgrades to the insurance system had not been implemented exposing the system to security vulnerabilities and functionality bugs. (Low Risk)
- The JCAD LACHS system was not being updated to reflect the most current status of each claim recorded, potentially affecting the insurance provision calculation.(Low Risk)
- Key performance statistics on processing of insurance claims were not being produced for regular presentation to senior management. (Moderate Risk)

All 5 of the issues highlighted were accepted by management. Positive action had already been taken to address 1 recommendation at the time of the audit. Further positive action to address the remaining 4 issues was agreed for the 2 moderate risk issues by 11thNovember 2016 and 31stMarch 2017. The 2 remaining low risk issues were agreed to be addressed by 30thApril 2017 and 30thNovember 2017.

Regulation of Investigatory Powers Act (RIPA)

Overall Control Assurance Rating:**Reasonable**

This audit focused on evaluating the adequacy of controls in place to ensure compliance with the requirements of the Regulation of Investigatory Powers Act 2000, (RIPA).

From the 18 key controls evaluated in this audit review, 7 were considered to provide adequate control and 11 contained weaknesses. This report contained 9 recommendations, 7 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:

- No monitoring was being undertaken to provide assurance that all staff were conversant with current Council Policy and Procedures for the undertaking of surveillance in accordance with RIPA. (Low Risk)
- The Council's register of applications for approval for surveillance under RIPA was incomplete as it did not include applications that had been rejected or withdrawn and advice from the Legal team was not being documented. (Low Risk)
- Application forms submitted prior to the legislative changes introduced in 2012, had been processed and approved by an authorising officer, despite the forms not being properly completed. (Low Risk)
- Applications were reviewed and checked by the authorising officer in consultation with the Legal team, but this review was

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not formally recorded and retained on file to evidence it had been completed. (Low Risk)

- Applications had not always been approved by officers at the appropriate level of seniority as defined by the Council's Constitution and guidance document. (Low Risk)

- Cancellation forms were not always being fully completed to show the time and date of when the authorising officer instructed the surveillance to cease.(Moderate Risk)

- Applications for renewal of surveillance authorisation were not being fully completed to show the revised date and time of expiry.(Moderate Risk)

- There were no explanations on the applications register as to why authorisation dates were out of sequence when allocated reference numbers were matched to authorisation dates. (Low Risk)

- Timely reports of surveillance activities were not being submitted to the Audit and Accounts Committee, and previous reports did not contain sufficient details as to the numbers of applications received, by type, and the numbers that were authorised and declined. (Low Risk)

All 9 of the control issues raised in this report were accepted and positive action had already been taken to address 4 of these control issues at the time of the audit. Positive actions were agreed to address the remaining 5 control issues by 30th November 2016.

Fixed Assets 2015-16 (Infrastructure Assets)

Overall Control Assurance Rating:**Reasonable**

This audit focused on the Council's preparations for the change in Local Government Accounting Policy from 1st April 2016 in relation to the reporting of infrastructure assets whereby the condition of stock needs to be taken into account. The changes have the potential to significantly alter the value of assets from 2016-17. We considered the asset data put forward for the Highways infrastructure assets for 2015-16.

In addition, the audit considered a report that had been developed to identify the changes to the asset records in Estate's SAM system to ensure that Accountancy could update the relevant asset records on the RAM system. This was part of on-going data cleansing and integrity checks between the SAM and RAM systems..

From the 19 key controls evaluated in this audit review, 13 were considered to provide adequate control and 6 contained weaknesses. This report contained 5 recommendations 2 of which were considered to present a low risk and 3 presenting a moderate risk. The following issues were considered to be the key control weaknesses:

- The infrastructure records used for informing the assets figure in the 2015/16 accounts were incomplete and inaccurate. (Moderate Risk)

- The CIPFA Toolkits had not been fully utilised in the preparation of the infrastructure asset valuations. Historical data for Land and Street Furniture had been entered onto the CIPFA Valuation Toolkit as source data was not located. (Moderate Risk)

- Depreciation for Traffic Management and Street Furniture assets had not been included on the CIPFA Valuation Toolkit. (Moderate Risk)

- Asset Management Plans, Policies and Strategies were out-of-date. (Low Risk)

- The reports generated from the Strategic Asset Management (SAM) system were not consistent, complete or accurate. (Low Risk)

All 5 of the issues raised within this report have been accepted. Management have agreed to take actions to address the issues by the end of March 2017.

Communities & Place

Springwood Leisure Centre

Overall Control Assurance Rating:**Reasonable**

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

From the 21 key controls evaluated in this audit review, 14 were considered to provide adequate control and 7 contained weaknesses. This report contained 6 recommendations, 5 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:

- Unders/Overs incurred during the cashing up of Customer Service assistants shifts were not being monitored by management. (Low Risk)
- Void transactions were not being appropriately monitored by management. (Low Risk)
- The number of safe key holders exceeded the limits prescribed in the Council's Cash Handling Policy. (Moderate Risk)
- Auditors were allowed to enter restricted parts of the Centre and given access to cash without being asked for identification. (Low Risk)
- 5 Timesheet Claims Forms in May 2016 had not been signed by a manager. 3 of the forms were also not signed by the member of staff to which the claim relates. (Low Risk)
- There were no data entry checks on the overtime entered onto MiPeople. (Low Risk)

All 6 of the control issues raised within this report were accepted and positive action was agreed to be taken by 30thNovember 2016 for 5 of the issues. For the other issue, action has been agreed to be undertaken by 1st January 2017.

People Services

Public Health - Commissioning

Overall Control Assurance Rating:**Comprehensive**

This audit focused on reviewing delivery of the behavioural change service (Livewell), including the opportunities for change, monitoring and challenge.

The audit also considered contracts in place, as per the Public Health Contracts Register, that were nearing their end date to identify the next course of action. The audit sought to provide assurance that appropriate actions were being taken to either:

- Re-commission the service through an appropriate tender process.
- Enter into a period of contract extension with the current contractor.
- Terminate the activity and give notice on the current contract.

The audit also considered a sample of contracts to ensure that contract management arrangements had been determined and documented, and that regular monitoring was undertaken.

From the 27 key controls evaluated in this audit review, 25 were considered to provide adequate control and 2 contained weaknesses. This report contained 1 recommendation which was considered to present a low risk. Another minor risk issue was highlighted for management's consideration. The following issue was considered to be the key control weakness:

- There was not any evidence which demonstrated that senior management at the Council had decided to continue with the behavioural change service being delivered in-house. (Low Risk)

The issue raised within this report was accepted and management had already taken action to address this issue at the time of issuing this report.

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Payments to Vulnerable Adults

Overall Control Assurance Rating:**Reasonable**

This was a probity audit focused on reviewing the adequacy of controls that seek to minimise the Council's risk of exposure to fraud and error arising from the payment of cash to vulnerable adults subject to financial guardianship, following a mental capacity assessment. This was an exercise carried out as part of a wider audit probity programme.

From the 17 key controls evaluated in this audit review, 10 were considered to provide adequate control and 7 contained weaknesses. This report contained 6 recommendations, 5 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:

- There were some inaccuracies in recording vulnerable adults' payment transactions in Oracle. (Low Risk)
- The Financial Procedure Rule relating to the requirement for a formal record evidencing the transfer of funds between officers was not being complied with. (Low Risk)
- The box containing uncollected payment packages was being moved between the Cash Office safe and Derby Direct's safe, across the public area, during the opening hours of the Council House.(Moderate Risk– **Risk Accepted**)
- The form used to record receipt of the payment package was not being completed in full. (Low Risk)
- When an officer was able to issue payment packages when they were not a key holder for the day, either they borrowed another officers key or the safe had been left unlocked (both are in breach of the Council Cash Handling Policy). (Low Risk)
- The service Key holder Policy had not been reviewed since 2014 and did not conform to the requirements of the Council Cash Handling Policy. (Low Risk)

All 6 of the recommendations contained within this report were accepted and 5 were to be completed by the date of issuing the final report. The remaining issue was accepted as a risk and will be kept under review.

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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 107 responses received between 1st April 2013 and 14th November 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 33 occasions.
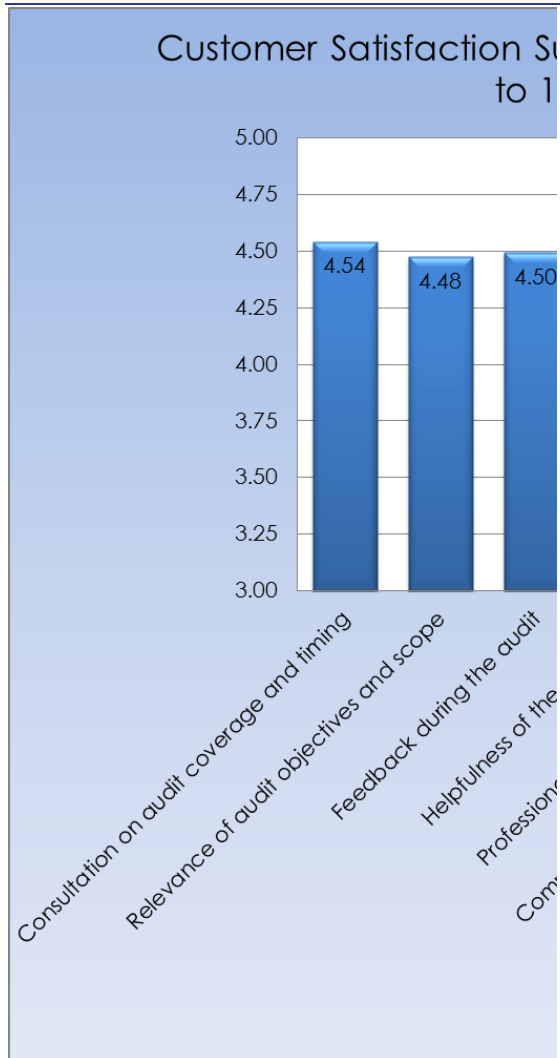
The overall responses are graded as either:

- 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 78 of 107 responses categorised the audit service they received as excellent, another 27 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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Customer Satisfaction S...
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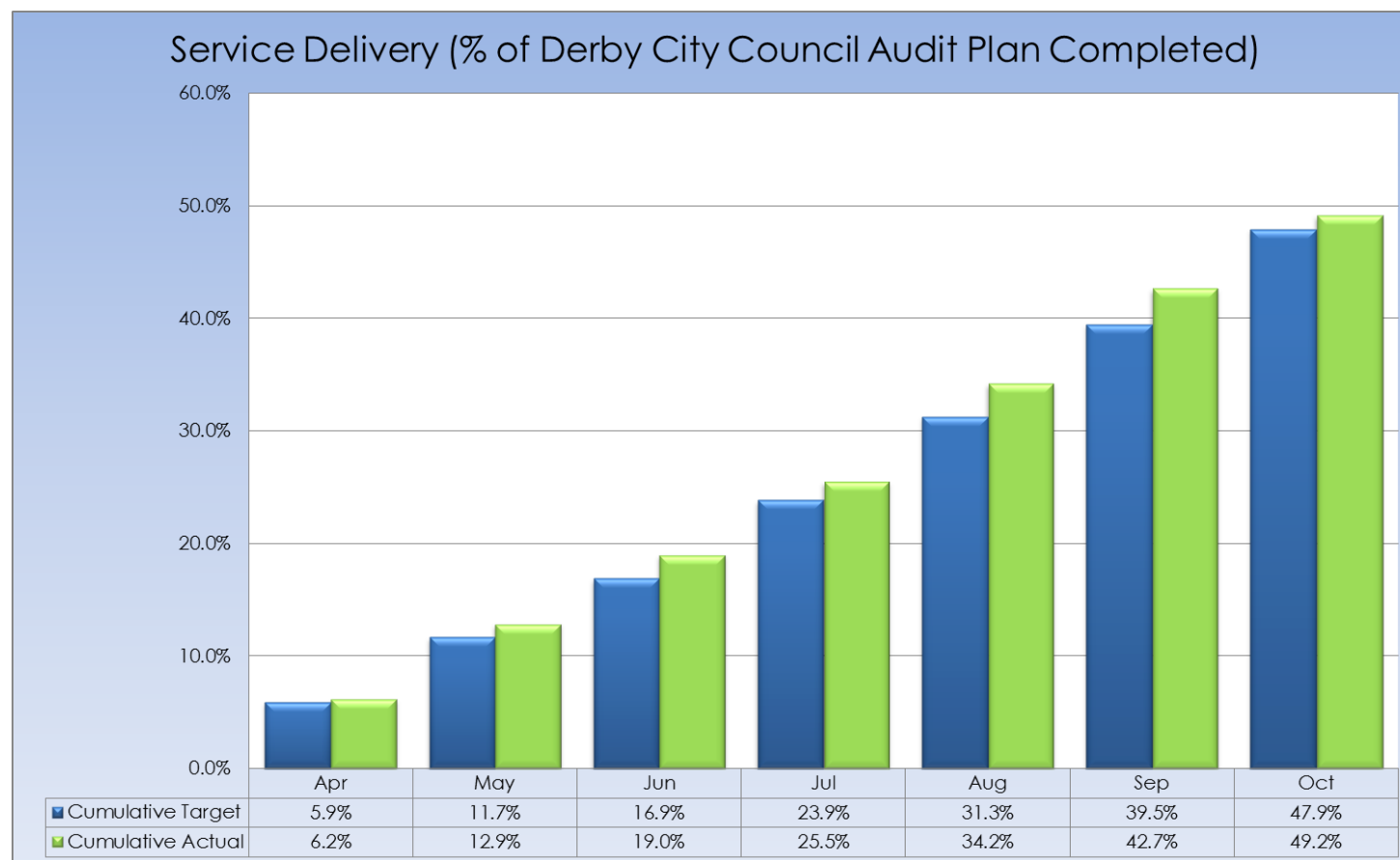# Derby City Council – Internal Audit Progress Report

Audit Performance

Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown across is the estimated percentage complete for Derby City Council's 2016-17 Audit Plan (including incomplete jobs brought forward) after 7 months of the Audit Plan year.

For the first time, the monthly target has been profiled to reflect the expected productive time available each month, but still assumes that time will be spent evenly over each partner organisation in proportion with their contributions which is not always the case.

Service Delivery (% of Derby City Council Audit Plan Completed)

	Apr	May	Jun	Jul	Aug	Sep	Oct
Cumulative Target	5.9%	11.7%	16.9%	23.9%	31.3%	39.5%	47.9%
Cumulative Actual	6.2%	12.9%	19.0%	25.5%	34.2%	42.7%	49.2%

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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 1st April 2013 and 11th November 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	312	23	22	2	5	23	**387**
Moderate Risk	101	11	8	3	2	9	**134**
Significant Risk	4	2	1	1	0	0	**8**
Critical Risk	0	0	0	0	0	0	**0**
Totals	**417**	**36**	**31**	**6**	**7**	**32**	**529**

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

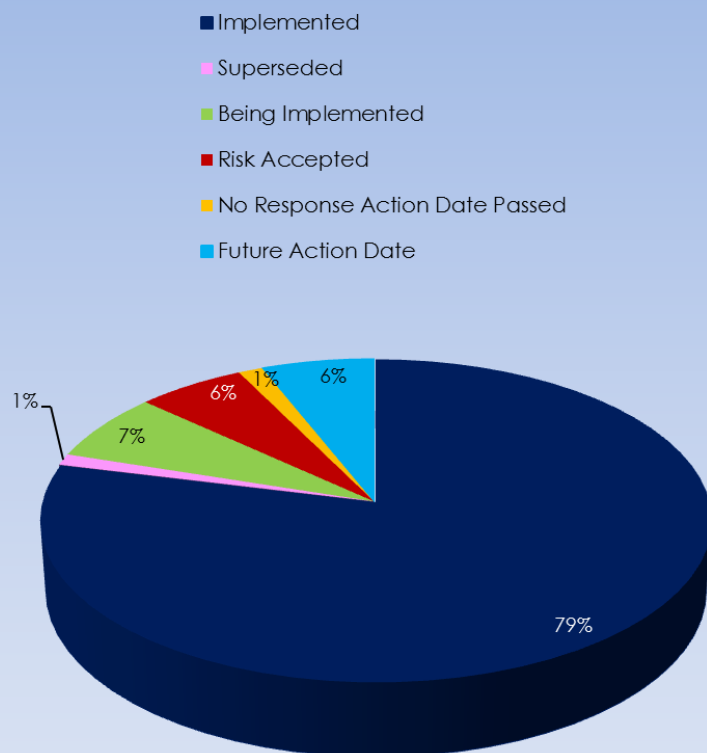| Recommendations Not Yet Implemented	Anti-Fraud & Corruption	People Services	Organisation & Governance	Communities & Place	TOTALS
Being Implemented	2	2	22	10	**36**
Action Due	0	0	7	0	**7**
	2	**2**	**29**	**10**	**43**

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. 25 of the risk accepted issues shown above have already been reported to this Committee. Management has chosen to accept the risk on another 3 low risk issues that have been highlighted in the body of this report and 1 moderate risk issue, full details of which can be found at the end of this report. Also,another 2 moderate risk recommendations, previously agreed to be implemented, have now been 'risk accepted' in respect of the Oracle EBS R12 Security Assessment audit and the Oracle Business Intelligence audit. (These should have been presented to the September Committee meeting - Full details also followat the end of this report)

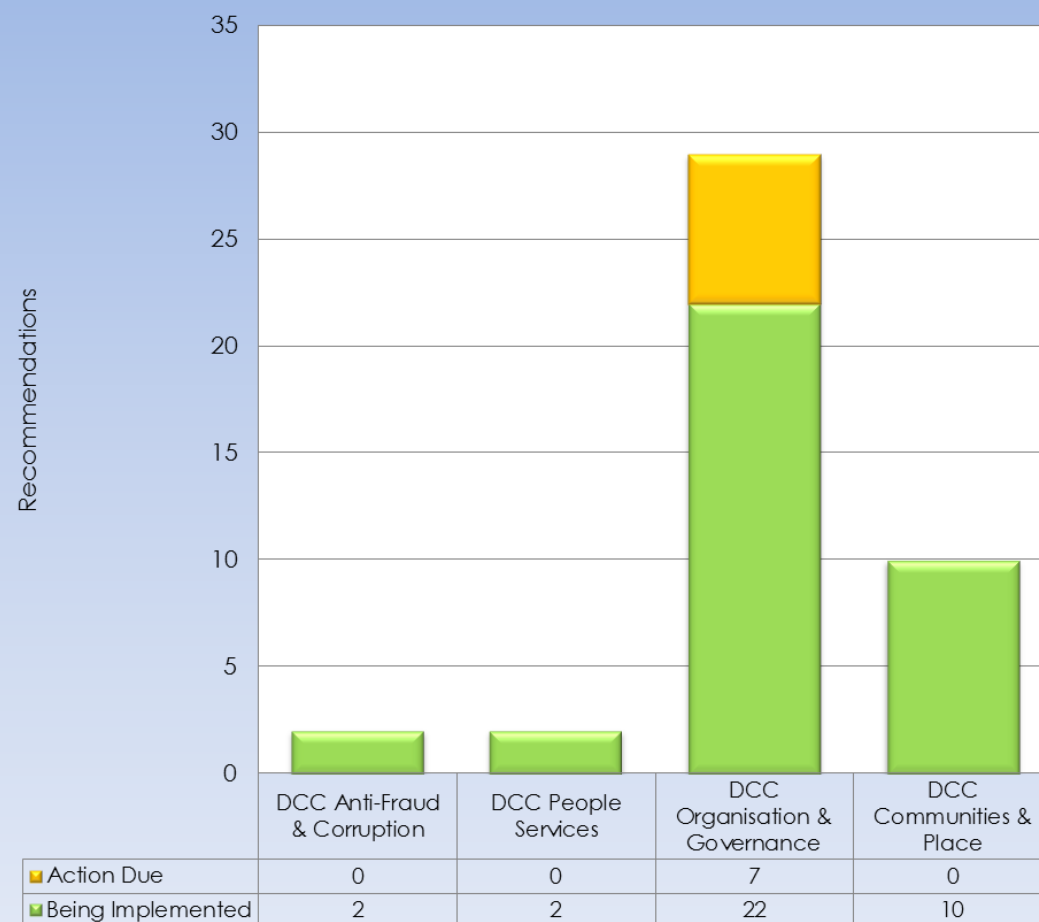# Derby City Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts

Action Status of Recommendations made between 1st Apr 2013 and 11th Nov 2016

- Implemented
- Superseded
- Being Implemented
- Risk Accepted
- No Response Action Date Passed
- Future Action Date

Implemented: 79%
Being Implemented: 7%
Superseded: 1%
Risk Accepted: 6%
No Response Action Date Passed: 1%
Future Action Date: 6%

Recommendations Not Yet Implemented by Department

	DCC Anti-Fraud & Corruption	DCC People Services	DCC Organisation & Governance	DCC Communities & Place
Action Due	0	0	7	0
Being Implemented	2	2	22	10

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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
Vulnerable Adults Payments	1	0	12-Oct-16
Adult Learning Centre	1	0	16-May-16
Total No. of Outstanding Recommendations	**2**	**0**	

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
Market Development (Adult Social Care)	1	0	24-Aug-16
Safeguarding Missing Children	1	0	30-Jun-15
Total No. of Outstanding Recommendations	**2**	**0**	

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
Waste Management & Disposal	6	0	17-Mar-16
Bereavement Services	1	0	31-Jul-15
Asset Management & Estates	2	0	03-Mar-15
Markets	1	0	19-Nov-13
Total No. of Outstanding Recommendations	**10**	**0**	

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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
Creditors 2015-16	0	1	05-Aug-16
Risk Management 2015-16	5	0	22-Jun-16
Payroll 2015-16	0	4	23-May-16
Debtors 2015-16	1	0	17-Mar-16
Housing Benefits & Council Tax Support 2015-16	2	0	28-Jan-16
Main Accounting System (MTFP) 2015-16	0	1	10-Nov-16
Sickness Absence	0	1	28-Aug-15
EDRMS Application	1	0	02-Feb-16
Business Support	1	0	28-Aug-15
Configuration Management	3	0	22-Apr-15
Network Access Management	1	0	15-Jul-15
Wireless Network Infrastructure	3	0	31-Mar-16
Virtualisation Management	2	0	28-May-15
Data Quality 2013-14	2	0	17-Dec-14
VOIP Security Assessment	1	0	12-Dec-13
Total No. of Outstanding Recommendations	**22**	**7**	

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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 Low risk recommendations still being implemented where it has been more than a year since the original agreed implementation date or those with no response where it has been more than 3 months since the original agreed implementation date.

Community & Places

Asset Management & Estates

Control Issue 1 - 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.

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

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

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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 –Transfer of the Eagle Marker to INTU is imminent and the closure of the Cattle and Wholesale markets is expected to go ahead soon such that in the not too distant future only the Market Hall will be left. It is anticipated that it will be far easier to establish a concessionary model for the Market Hall, especially as leases are shortly due for renewal. It is proposed to establish a Markets Stall Holders Leaflet which it is intended will contain details on any future concessionary model.

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

Waste Management & Disposal

Control Issue 1 -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.

Risk Rating – Moderate Risk

Status Update - A meeting has been arranged with the company that is carrying out the report on our behalf. They have all the information they require, so an update will be provided when we are in a position to close out the audit recommendations.

Original Action Date   30 Sep 16   Revised Action Date   not given

Control Issue2 -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.

Risk Rating – Moderate Risk

Status Update - A meeting has been arranged with the company that is carrying out the report on our behalf. They have all the information they require,so an update will be provided when we are in a position to close out the audit recommendations.

Original Action Date   30 Sep 16   Revised Action Date   not given

Control Issue3 -The draft Technical Report on Collecting Household Recyclate did not fully reflect the requirements of Step1 of the Waste Regulations Route Map.

Risk Rating – Moderate Risk

Status Update - A meeting has been arranged with the company that is carrying out the report on our behalf. They have all the information they require,so an update will be provided when we are in a position to close out the audit recommendations.

Original Action Date   30 Sep 16   Revised Action Date   not given

Organisation & Governance

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

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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 by the end of March 2017.

Original Action Date   31 Mar 15   Revised Action Date   1 Apr 17

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 by the end of March 2017.

Original Action Date   31 Mar 15   Revised Action Date   1 Apr 17

Risk Management 2015-16

Control Issue 1 –The Strategic Risk Register was in draft format and had not been considered by Senior Management at the Council or Members.

Risk Rating – Moderate Risk

Status Update –COG reviewed the strategic risk register on 16thAugust and decided that Chief Officers and their DMTs should check through the Strategic Risk Register and look at the impact / likelihood rating to see if they are correct with a view to calibrating the ratings and reviewing the control measures. At the meeting on 27thSeptember, COG received the feedback and each Chief

Officer was asked to send any comments directly to the Head of Governance & Assurance. The Governance Working Group also reviewed the SRR at its meeting on 3rdOctober and suggested changes to the "assurance form" which accompanies each individual strategic risk. They also suggested that the SRR goes to COG on a monthly basis. OMT have also decided to review the register - two risks each week. This will start when the SRR is finalised.It is anticipated that the SRR will now go to Audit and Accounts Committee on 30 November

Original Action Date   30 Jun 14   Revised Action Date   1Dec 16

Sickness Absence

Control Issue 6 –Suitable checks were not being undertaken over the input of source data.

Risk Rating – Low Risk

Status Update –No Response Received.

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

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   31Mar 16   Revised Action Date   31Dec 16

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VOIP Security Assessment

Control Issue 1 –We found that neither VoIP data nor signalling media were encrypted to prevent voice conversions 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

Payroll 2015-16

Control Issue2–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.

Risk Rating – Moderate Risk

Status Update –No Response Received

Original Action Date   31Oct 16   Revised Action Date   n/a

Configuration Management

Control Issue 1 –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 Issue 4 –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

Wireless Network Infrastructure

Control Issue4–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 –No progress with this – the actions lie with our network provider updata – We believe this contract will enter default in the new year after the datacentre move.

Original Action Date   1 Jun 16   Revised Action Date   30Dec 16

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Control Issue7 –Security vulnerabilities identified in penetration scans undertaken by the third party security consultancy had not been addressed.

Risk Rating – Moderate Risk

Status Update –No progress with this – the actions lie with our network provider updata – believe this contract will enter default in the new year after the datacentre move.

Original Action Date   1 Apr 16   Revised Action Date   30Dec 16

Peoples Services

Safeguarding Missing Children

Control Issue3 - There was no standard process in place that ensured a formal record was made to evidence that the dangers of running away and the availability of support services and helplines had been discussed with the looked after child and family members.

Risk Rating – Low Risk

Status Update – The recommendation is partially completed and will be completed by the end of December.

Original Action Date   1 Oct 16   Revised Action Date   30 Dec 16

Anti-Fraud & Corruption

Adult Learning Centre

Control Issue 2 - 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 – 14 Sept 16 - Additional security measures have been put in place and access to the safe is restricted. The issue of

accountability for the safe's contents is currently being addressed as part of an on-going restructure.

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

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Risk Accepted Recommendations

Organisation & Governance

Payments to Vulnerable Adults

Audit Finding

We expected that the transfer of funds across public areas in the Council House would be undertaken during quiet periods.

The box containing the uncollected payment packages was moved between the Cash Office safe and the Derby Direct safe during the Council House opening hours.

Moving money within the building continues to present a risk of theft should a dishonest individual realise that the box being carried contains a substantial sum of cash. This risk increases when the box is moved while the public were present.

Recommendation 3

Risk Rating:Moderate Risk

Summary of Weakness:The box containing uncollected payment packages was being moved between the Cash Office safe and Derby Direct's safe, across the public area, during the opening hours of the Council House.

Suggested Actions:We recommend that the timing of the cash transfer between safes be rescheduled so that it is done while the building is closed to the public.

Summary Response

Responsible Officer: Welfare Reform Manager

Issue Accepted

Agreed Actions: Risk Accepted.This may not be achievable operationally due to staff not starting until 8.30am and finishing at 5pm – in line with the public opening hours. Where possible, we will arrange for security to walk with staff if they have to transfer money during Council House opening hours

This is also not a complete solution as we are often asked to deal with extra short notice payments that aren't accounted for in the payments raised by the Cash Office. A cash requisition form has to be taken to the Cash Office where they will give you the cash which has to be taken over to the customer straight away.

The option of keeping all payments in the Derby Direct Safe was considered, but this would breach overnight insurance limits. After consideration of options it was agreed to accept the risk and keep staff aware of the risks involved, with security of cash movement to be a standing item on team meeting agendas for feedback and keep up awareness

Implementation Date:N/A

Oracle Business Intelligence

Audit Finding

We expected that the latest Oracle database security updates would have been applied to the OBIEE production database

We found that the OBIEE production database was missing a number of critical patch updates and didn't appear to have been updated since 2012. At the time of the audit, the version of the database was 11.2.0.3.0.

There is a risk that failing to maintain the currency of the Oracle database software makes the database prone to known vulnerabilities which could be exploited to affect the availability,

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integrity and confidentiality of the OBIEE database, and impact on service delivery.

Recommendation 6

Risk Rating:Moderate Risk

Summary of Weakness:The OBIEE production database was missing a large number of CPU (critical patch updates), making the data vulnerable to known vulnerabilities, which could be exploited for unauthorised access to sensitive data.

Suggested Actions:We recommend that management reviews the implications of applying all critical security updates to the database software, by following Oracle-provided patch installation instructions.

Summary Response

Responsible Officer: Principal Information Software Support Officer

Issue Accepted

Agreed Actions: Since the application is internally facing this should have minimal risk. This will be scheduled in at an appropriate time.

Implementation Date:31 Dec 15

Current Position

Risk Accepted - We cannot test the CPU's in TEST because the ETL has been suspended because it fails to run. We don't have the facility to review the ETL.


Oracle EBS R12 Security Assessment

Audit Finding

We expected that the application would be storing hashed versions of the application passwords in the database instead of encrypted passwords, which are vulnerable to simple decryption techniques.

We found that application passwords were stored in the database (FND_USER) in an encrypted form. Application passwords are by default encrypted, not hashed which is more secure. There are numerous reference guides on line showing how to decrypt Oracle application passwords with SQL queries, or java programs. All that is required is access to the FND_USER table. Further information on this vulnerability can be found here: http://tinyurl.com/l6tuqka

We were able to get the APPS password, by supplying the foundation hash of the default GUEST account, as shown below, using a Java application.
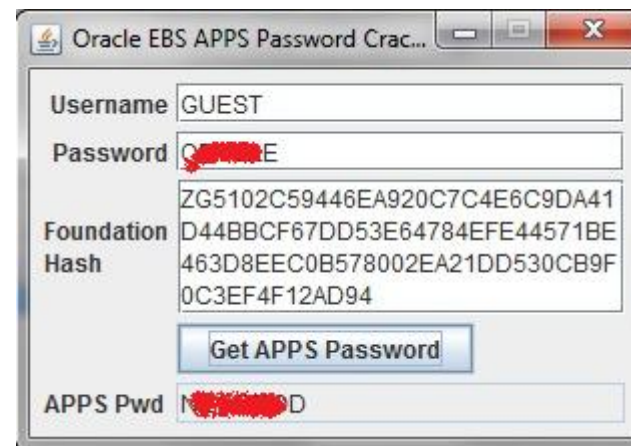
It is a recommended security best practice to switch to hashed passwords, as detailed in the **Secure Configuration Guide for Oracle E-Business Suite Release 12**. Further information on switching to hashed passwords can be found in MOS Note 457166.1 "**FNDCPASS Utility New Feature: Enhance Security With Non-Reversible Hash Password**".

Application accounts by default are encrypted in the database, as opposed to hashed, and are highly vulnerable to a number of

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simple decryption techniques. There is a risk that with a valid combination of login name, password, and the hash code, it is a simple process to decrypt the APPS password and gain complete authority over the production environment, which could be used for malicious and fraudulent purposes.

Recommendation 6

Risk Rating:Moderate Risk

Summary of Weakness:Application passwords were stored in the database in encrypted form (as opposed to the best practice recommendations of hashed), which makes it a simple task to decrypt in order to obtain plain text passwords for powerful administration accounts such as APPS, which could be used for malicious and fraudulent purposes.

Suggested Actions:We recommend that management reviews the implications of switching to hashed passwords, in line with the Secure Configuration Guide for Oracle E-Business Suite recommendations.

Summary Response

Responsible Officer: Principal Information Software Support Officer

Issue Accepted

Agreed Actions: DCC Information Software Support will take this up with Oracle to establish how this may be achieved.

Implementation Date:31 Dec 15

Current Position

Risk Accepted - Changing to hashed passwords is a one-way change – it cannot be reversed.Velocity highlighted the need to thoroughly test this because of the possible impact to the ETL process. We don't have the facility to review the ETL.