# central midlands audit partnership

# Derby City Council –

## Internal Audit Annual Report 2019-20

Audit & Accounts Committee: 29th July 2020

Derby City Council

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# Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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**CMAP** central midlands audit partnership

*Providing Excellent Audit Services in the Public Sector*

## Derby City Council – Internal Audit Annual Report 2019-20

# Introduction

## Why an Audit Opinion is required

The Public Sector Internal Audit Standards (PSIAS) states:

> **Public sector requirement**
>
> The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.
>
> The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
>
> The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 2450 Overall Opinions

In this instance, the Chief Audit Executive is Richard Boneham, Head of Internal Audit.

With regard to overall opinions, CIPFA's Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards 2019 Edition (issued February 2019) also states:

*"The Public Sector Requirement in PSIAS 2450 requires that the Chief Audit Executive must provide an annual report to the board timed to support the annual governance statement. This must include:*

- *an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework – i.e. the control environment*
- *a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance providers)*
- *a statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme.*

*In local government, the annual opinion should be guided by the CIPFA Framework Delivering Good Governance in Local Government.*

*The annual report should also include:*

- *disclosure of any qualifications to that opinion, together with the reasons for the qualification*
- *disclosure of any impairments ('in fact or appearance') or restriction in scope*
- *a comparison of the work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets*
- *any issues the Chief Audit Executive judges particularly relevant to the preparation of the annual governance statement*
- *progress against any improvement plans resulting from QAIP external assessment.*

*In the context of the PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity that it has examined. Internal audit will word its opinion appropriately if it cannot give reasonable assurance (e.g. because of limitations to the scope of, or adverse findings arising from, its work)."*

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## How an Audit Opinion is Formed

Internal Audit's risk-based plan must take into account the requirement to produce an annual internal audit opinion. Accordingly, the Audit Plan must incorporate sufficient work to enable the Head of Internal Audit to give an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Internal Audit must therefore have sufficient resources to deliver the Audit Plan.



Audit Opinion

## Possible Overall Opinions

The Head of Internal Audit's opinion relative to the organisation as a whole could fall into one of the following 3 categories:

- **Inadequate System of Governance, Risk and Internal Control** – Findings indicate significant weaknesses and the need for urgent remedial action. Where corrective action has not yet started, the current remedial action is not, at the time of the audit, sufficient or sufficiently progressing to address the severity of the control weaknesses identified.

- **Adequate System of Governance, Risk and Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.

- **Satisfactory System of Governance, Risk and Internal Control** - Findings indicate that on the whole, arrangements are satisfactory, although some enhancements may have been recommended.

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# Quality Assurance and Improvement Programme

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

Public Sector Internal Audit Standards state:

> **Public sector requirement**
>
> The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

Extracted from Public Sector Internal Audit Standards Updated March 2017 - 1320 Reporting on the Quality Assurance and Improvement Programme

Public Sector Internal Audit Standard 1312 also requires that:

*"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation."*

Assessments are based on the following 3 ratings:

- **Generally Conforms** - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards.

- **Partially Conforms** - means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

- **Does Not Conform** - means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

An external quality assessment of the internal auditing activities of CMAP was undertaken during the period February – April 2017 and identified some opportunities for further improvement and development. The consultant provided an update position on our overall conformance with the Standards in September 2017 and was content to re-assess our conformance as follows:

| | Number of standards | Generally Conforms | Partially Conforms | Does Not Conform |
|---|---|---|---|---|
| Code of Ethics | 4 | 4 | 0 | 0 |
| Attribute Standards | 19 | 19 | 0 | 0 |
| Performance Standards | 33 | 33 | 0 | 0 |

As required, we have also undertaken a self-assessment against the Standards in January 2020 using the tool specifically developed by the Institute of Internal Auditors (IIA) for this purpose.

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We have determined that CMAP **Generally Conforms** ' to the Standards. 'Generally Conforms' means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual *Standard* or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual *Standards* or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.

As such, CMAP has identified a number of actions for improvement some of which are listed in the Improvement Plan section at the end of this report.

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# Audit Opinion 2019-20

Based on the work undertaken during the year, I have reached the overall opinion that there is an **Adequate System of Governance, Risk and Internal Control Subject to Reservations** – A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions will be at too early a stage to allow a satisfactory audit opinion to be given.

I have arrived at this opinion having regard to the following:

- The level of coverage provided by Internal Audit was considered adequate to support the opinion.

  *Note: The completion of the key areas of 2019/20 audit work was not disrupted by the COVID-19 pandemic. Those audit reviews that are an essential component to inform the annual opinion were either completed or sufficiently completed to enable the overall opinion to be determined.*

- The 2019-20 Internal audit plan, approved by the Audit & Accounts Committee on 27th March 2019, was informed by internal audit's own assessment of risk and materiality in addition to consultation with senior management to ensure it aligned to the organisation's key risks and objectives.

- The changing risk environment within the Council has been taken into account during the 2019/20 financial year.

  *Note: The impact of the COVID-19 pandemic is on the 2020/21 governance, risk and control environment. This will be reflected in the 2020/21 internal audit plan which will be reviewed on an on-going basis to reflect the risks faced by the Council.*

- Changes to both the Strategic Leadership and the Statutory Officer roles during the year.

  Two Strategic Director posts were appointed to during the year (commenced August 2019) - Strategic Director of Corporate Resources (and s151 Officer) and Strategic Director of Communities and Place. The Director of Legal, Procurement and Democratic Services and Monitoring Officer post was filled on a permanent basis, also in August 2019, by the interim post holder. Further changes followed in January 2020, with the departure of the Chief Executive, the Strategic Director of Corporate Resources taking on the role of Chief Executive in the interim, before being appointed to the post in March 2020. The Director of Financial Services took on the role as s151 Officer in January 2020. This allowed a smooth transfer of responsibility and has been an ongoing arrangement due to the pandemic delaying the recruitment process.

- Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the organisation's control environment is operating effectively.

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- Our organisational independence and objectivity has not been subject to any impairment in fact or appearance; nor has the scope of our work been restricted in any way.

- Our insight gained from our interactions with Senior Management and the Audit & Accounts Committee.

- The number of audits that have resulted in assurance ratings of either "limited" or "none". There were 13 audits categorised as limited assurance and one with a "none" assurance rating. To reach my overall opinion, I have also taken into account the assurance ratings of those audits at draft report stage, where there are a further 7 audits that are categorised as limited and one as none.

  *Note: Those audits at draft report stage, do not take into account management responses on recommendations made. However, they will have been agreed with the auditee at a closing meeting.*

- The majority of the recommendations made to address significant risk issues (23 of the 32 made) were contained in the system weakness report arising from the investigation in to the A52 Project Overspend. All 23 recommendations have been implemented.

The following tables summarise the 2019-20 Audit Plan assignments and their outcomes as well as those assignments from the 2018-19 Audit Plan which were still ongoing in 2019-20.

| 2019-20 Jobs | Status | % Complete | Assurance Rating |
|---|---|---|---|
| **Corporate Core** | | | |
| Risk Management Strategy & Process | In Progress | 75% | |
| Programme Management Office | Final Report | 100% | Reasonable |
| A52 Corporate - Follow Up | Draft Report | 95% | Reasonable* |
| **Peoples** | | | |
| Billing for Home Care | Final Report | 100% | Reasonable |
| Deprivation of Liberty | Final Report | 100% | Limited |
| Adult Learning Service - Cultural Change | Draft Report | 95% | Reasonable* |
| Payments for Children's Social Care | Final Report | 100% | Limited |
| Special Educational Needs - Action Plan | Draft Report | 95% | Limited* |
| Translation Services - Follow Up | Draft Report | 95% | Reasonable* |
| NHS - IT Toolkit | Final Report | 100% | Reasonable |
| Peoples - Scheme of Delegation | Final Report** | 100% | Limited |
| Peoples - Risk Management | In Progress | 75% | |
| Primary School Investigation | Complete | 100% | N/A |
| **Corporate Resources** | | | |
| Grant Certification Work 2019-20 | Complete | 100% | N/A |
| Main Accounting 2019-20 | Final Report | 100% | Comprehensive |
| Treasury Management 2019-20 | Final Report | 100% | Comprehensive |
| Taxation | Final Report | 100% | Comprehensive |
| Welfare Reform Reserve | Final Report | 100% | Comprehensive |
| Debt Recovery | Draft Report | 95% | Reasonable* |
| Creditors - Follow Up | In Progress | 75% | |
| HR Strategy - Project | Final Report | 100% | N/A |
| Attendance Management - First Care | In Progress | 50% | |
| Agency Spend and Contract Monitoring | Final Report | 100% | Reasonable |

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| | | | |
|---|---|---|---|
| CMIS – Information Security | Final Report | 100% | N/A |
| Records Management Policy | Final Report | 100% | N/A |
| SIRO/Caldicott Guardian | Final Report | 100% | Reasonable |
| Digital Channels - TerminalFour | Final Report | 100% | Limited |
| Digital Channels - Firmstep | Final Report | 100% | Reasonable |
| Database Servers | Final Report | 100% | N/A |
| Domain Accounts | Final Report | 100% | Reasonable |
| Mailbox Security | Final Report | 100% | Limited |
| IKEN System Security - Follow Up | Final Report | 100% | Limited |
| Home Drive Security | Final Report | 100% | Limited |
| Backups | In Progress | 50% | |
| Parking Permit System | Fieldwork Complete | 90% | Limited* |
| Corporate Resources - Scheme of Delegation | Draft Report** | 95% | Limited* |
| Corporate Resources - Risk Management | In Progress | 75% | |
| Comm. & Industrial Products Contract Monitoring | Final Report | 100% | Comprehensive |
| Coroner's Service | Final Report | 100% | Limited |
| **Communities & Place** | | | |
| New Swimming Pool Complex - Contract Mgmt | Final Report | 100% | Comprehensive |
| BREXIT Planning | Final Report | 100% | Comprehensive |
| Bereavement Service | Final Report | 100% | Limited |
| s38 Agreements/s278 works - 1980 Highways Act | Final Report | 100% | N/A |
| Highways Code of Practice - Road Defects | Final Report | 100% | N/A |
| Parking Services – Cashless Payments | Final Report | 100% | N/A |
| Bus Station – Processes & Procedures | Draft Report | 95% | Limited |
| A52 Scheme - Follow Up | In Progress | 70% | |
| Planning Application Process | Final Report | 100% | Comprehensive |
| Home to School Transport | Final Report | 100% | Limited |
| External Funding | Final Report | 100% | Reasonable |
| Performance Venue - Contract Management | Final Report - Superseded | 100% | N/A |
| Market Hall Refurbishment | Draft Report | 95% | None* |
| Our City Our River - Contract Management | In Progress | 60% | |
| Communities & Place - Scheme of Delegation | Draft Report** | 95% | Limited* |
| Communities & Place - Risk Management | In Progress | 75% | |
| Planning Complaint - Pastures Hill | Final Report | 100% | N/A |
| Catering 2019-20 | Final Report | 100% | Limited |
| Derby Arena Car Parks | Draft Report | 95% | Limited* |
| **Schools** | | | |
| Schools SFVS Annual Report 2019/20 | Final Report | 100% | Reasonable |
| 14 Schools SFVS | Complete | 100% | 4C, 10R |

| B/Fwd Jobs | Status | % Complete | Assurance Rating |
|---|---|---|---|
| **Peoples** | | | |
| Local Area Co-Ordination | Final Report | 100% | Reasonable |
| Corporate Parenting - PEP monitoring | Final Report | 100% | Reasonable |
| Children Sexual Exploitation Prevention Strategy | Final Report | 100% | Reasonable |
| **Corporate Resources** | | | |
| Payroll | Final Report | 100% | Reasonable |
| Key financial systems - GL interfaces | Complete | 100% | N/A |
| Fixed Assets 2018-19 | Draft Report | 95% | Limited* |
| Creditors Accounts Payable | Final Report | 100% | Reasonable |

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| | | | |
|---|---|---|---|
| Grant Certification Work | Final Report | 100% | Comprehensive |
| Document Management/Network printing | Final Report | 100% | Reasonable |
| Liquid Logic/Servlec Follow-up | Final Report | 100% | Reasonable |
| People Management 2017-18 | Final Report | 100% | Reasonable |
| CCTV - Access Control | Final Report | 100% | Limited |
| Public Utilities Management | Final Report | 100% | Limited |
| **Communities & Place** | | | |
| Planning and Development Control | Final Report | 100% | Comprehensive |
| Taxi Licensing | Final Report | 100% | Comprehensive |
| A52 - Project overspend - Systems Weaknesses | Final Report | 100% | None |
| **Schools** | | | |
| Schools SFVS Annual Report  2018-19 | Final Report | 100% | Reasonable |

**\* Assurance ratings yet to be finalised**

**\*\* Audits being combined to achieve a corporate response**

- Of the 65 substantially completed assignments (excluding schools SFVS work), 31 attracted either a 'Comprehensive' or 'Reasonable' assurance rating. There were 20 audit assignments that were given a 'Limited' assurance rating and two assignments received a "None" assurance rating. There were 12 "consultancy" or "non-assurance" type assignments that could not be given an assurance rating due to the nature of the review. From the completed assignments a total of 246 recommendations were made; 107 of these were considered to present a low risk; 107 were considered to present a moderate risk; with the remaining 32 presenting a significant risk; no critical risk recommendations were made. 25 of the significant risk recommendations have now been implemented.
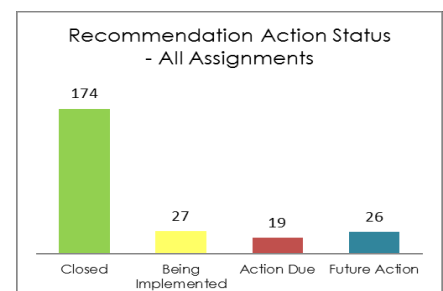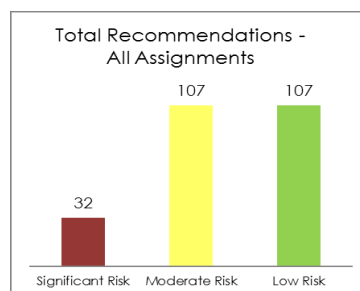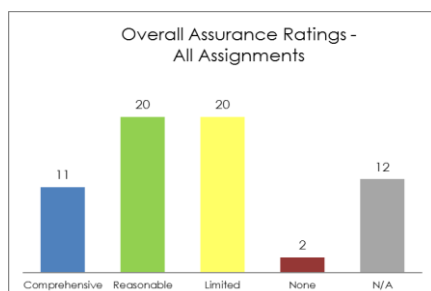


- Of the 12 **Key Financial System** audits undertaken in 2019-20 including brought forward work, 11 were substantially complete. Eight audits attracted either a Comprehensive or Reasonable overall assurance rating and one audit was given a Limited overall assurance rating. There were two assignments which were categorised as "Not Applicable" as they were not assurance type audits. There was one audit still in progress at the year end. These audit assignments identified 19 recommendations, of which 14 were classified as low risk and five were a moderate risk.

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Overall Assurance Ratings - Key Financial Systems

Total Recommendations - Key Financial Systems

Recommendation Action Status - Key Financial Systems
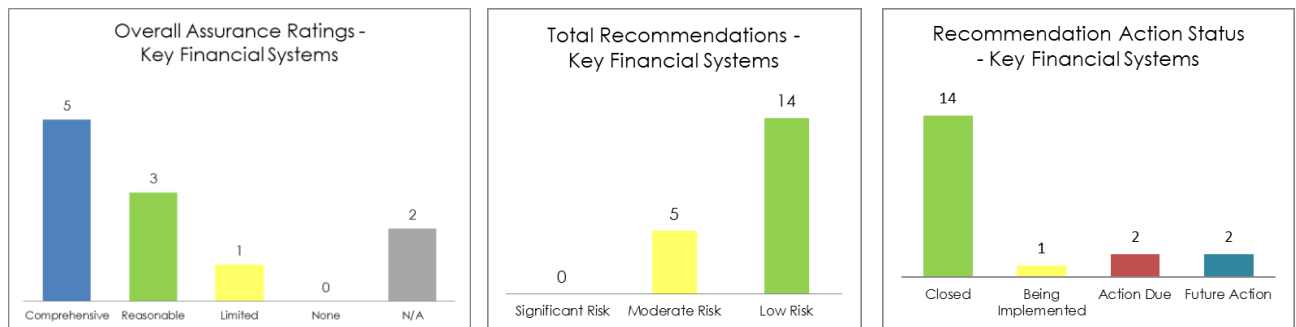
- Of the 32 **System/Risk** audits undertaken in 2019-20 including brought forward work, 27 were substantially complete. Thirteen audits attracted either a Comprehensive or Reasonable overall assurance rating, while eight audits were given a Limited overall assurance rating. Six audits were non-assurance type reviews and therefore categorised as Not Applicable. The remaining nine audits were still in progress at the year end. These finalised audit assignments identified 102 recommendations of which 57 were classified as low risk, 42 were a moderate risk and three were considered a significant risk.

Two significant risk recommendations were raised in the Bereavement Services audit:

o The first significant risk related to maintenance services not being appropriately subjected to competitive tender and therefore being supplied and paid for without a contract in place. It was also noted that there was no provision to ensure that the cremators adhered to legal and local requirements and also no provision for emergency maintenance. Also there were no performance review meetings taking place with the maintenance service provider.

o The second significant risk related to there being no replacement programme in place for the cremators at Markeaton Crematorium and the fact that the three cremators still in operation were at least 5 years over the recommended manufacturer lifespan. The current business case was not complete or approved and there was no business continuity plan outside of this.

The remaining significant risk issue arose from the Home to School Transport assignment, whereby:

o There were no structured processes to ensure all drivers and passenger assistants were subject to ongoing monitoring and review.

Both significant Bereavement Services recommendations are in the process of being implemented, but are currently on hold due to the COVID-19 pandemic. However, in March/April 2020 a standalone cremator has been purchased, installed and commissioned and is available to use. This is giving the service some resilience should the existing equipment fail. This is a temporary solution whilst a decision is made to refurbish / replace the current cremators or to build a new crematorium. The standalone cremator has been purchased by the authority and can be utilised in either a refurbishment or new build project. The standalone cremator also comes with one year maintenance contract. The

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significant Home to School Transport issue has a future action date of 30th September 2020.
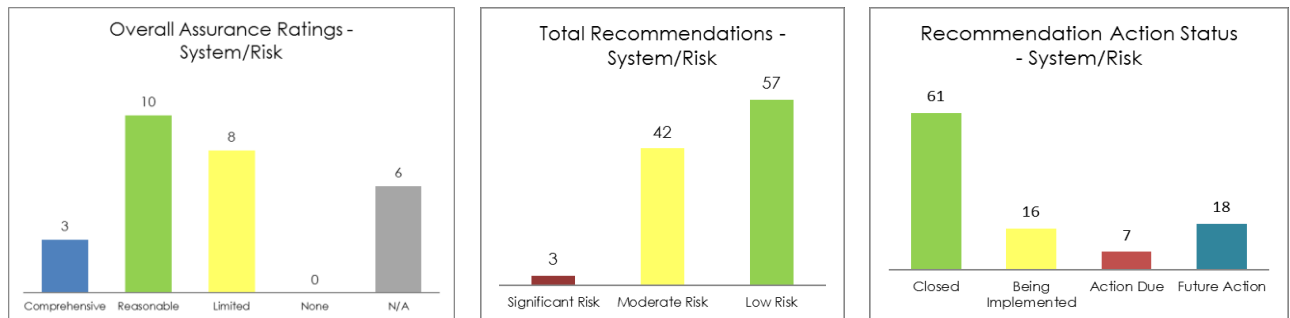


- Of the seven **Governance/Ethics** audits undertaken during 2019-20, all were extensively complete. Four audits attracted either a Comprehensive or Reasonable rating and three audits were given a Limited overall assurance rating. The finalised audit assignments identified 13 recommendations, of which six were classified as a low risk, six were a moderate risk and one was considered a significant risk.
  - o The significant risk related to the overall administration of the schemes of delegation that exist within Directorates.

The issue was raised with the Chief Executive and it was agreed that Internal Audit would provide further recommendations to assist with an improved corporate approach to overseeing the production and review of the schemes of delegation.



- Of the 10 **IT Audits** undertaken in 2019-20 including brought forward work, eight were finalised. Three audits attracted a Reasonable overall assurance rating and five were given a Limited overall assurance rating. One IT audit was a "non-assurance" type review and was categorised as Not Applicable. The remaining three IT audits were still in progress at the year end. These audit assignments identified 47 recommendations, 24 of which were classified as low risk; 21 were a moderate risk and two were considered a significant risk.

  - o The first significant risk was made as part of a review of the security, configuration and management of the Council's Content Management System (CMS) – terminalfour. A weakness was identified which meant that backups of the ContrOCC database were accessible to all users of the network, thus exposing thousands of records containing personal and sensitive information.

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A recommendation was made that management ensures access control lists for file shares on the server restrict access to only authorised users in line with data protection principles.

The recommendation made has been implemented.

o The second significant risk related to a number of data protection risks identified as part of an audit review of security around electronic mailboxes. We found that PST copies of sensitive mailboxes including those relating to safeguarding and CYP services were accessible to all users of the network.

We recommended that management ensures access control lists are reviewed and permissions are appropriately restricted in line with data protection principles.

The identified issue has now been resolved and the files have been deleted. IT has reviewed this process and updated staff on how to set permissions appropriately for any future events.
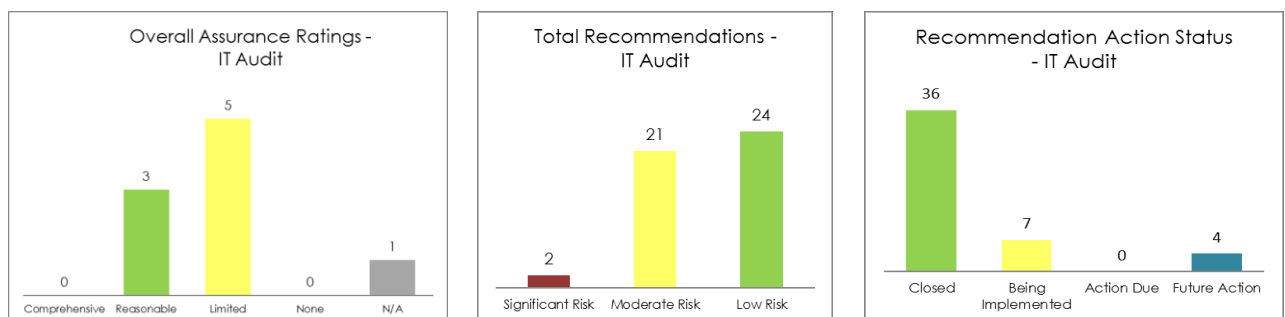


- There were six audits classified as **Anti-Fraud or investigation** type work undertaken in 2019-20 including brought forward work. Three of the audits were given a "Limited" overall assurance rating and one audit was not able to provide any assurance and was given a "None" rating. Two pieces of audit work involved the Head of Audit providing advice/consultancy to investigations/complaints and were not designed to provide an assurance rating. These audit assignments identified 62 recommendations, of which four were classified as low risk, 32 were a moderate risk and 26 were considered a significant risk.

  o Three significant risks related to the investigative review of the increasing costs being charged to Derby City Council for the countywide Coroners Service. Seven control weaknesses were grouped into three themes –

    ▪ Officers approving payment to the County could not demonstrate that the payments they were authorising were not overstated.
    ▪ The Council had not specified the information and arrangements it needed to be assured that it was not being overcharged for the Coroners service. No formal agreement on the service could be located.

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- Information received by the Council was not sufficiently detailed to provide assurance that the recharges for the Coroners service were reasonable, proportionate and were not overstated.

Progress in resolving these issues with the County has ben protracted. The Acting Head of Democracy has been frustrated in his attempts hold to a meeting with County representatives to discuss the issues. The Audit and Accounts Committee is provided with regular updates on the situation.

- o The remaining 23 significant risks were all made as part of the Systems Weaknesses audit report released following our investigation into the A52 Project overspend. All the recommendations have now been implemented.
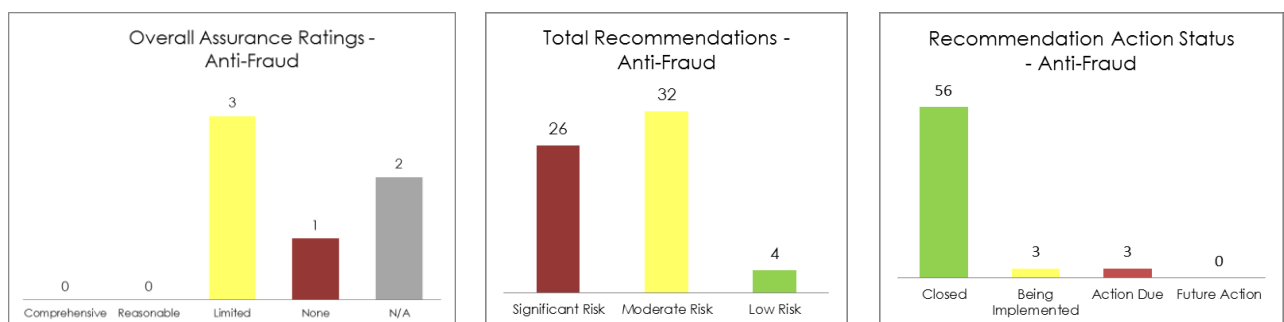


- Of the seven **Procurement/Contract** audits undertaken in 2019-20 including brought forward work, five were extensively completed. Three were given either a Comprehensive or Reasonable overall assurance rating and one attracted a "Not Applicable" rating. The Market Hall Refurbishment assignment was substantially complete and was provisionally attracting an overall assurance rating of "**None**". The draft audit report in relation to this is currently with management awaiting their response. The finalised audit assignments identified three recommendations, all of which have been addressed to our satisfaction.
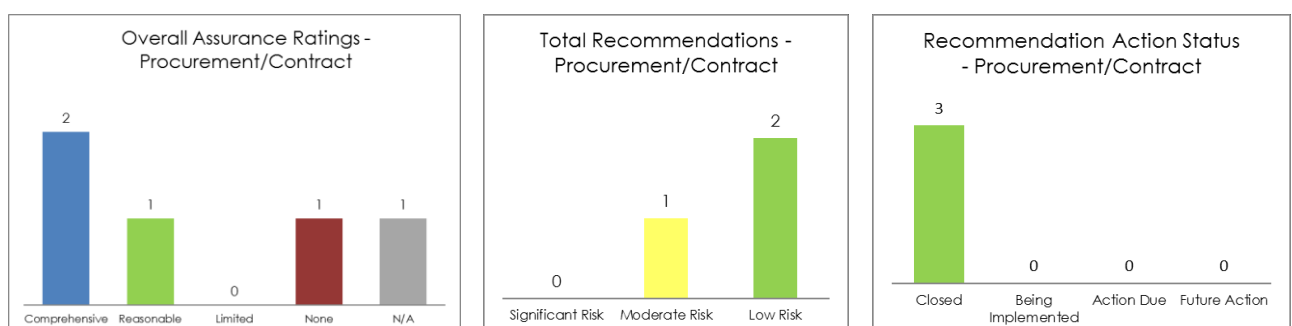


- Each year Internal Audit carries out work to provide the Chief Financial Officer with assurance around the Schools Financial Value Standard (SFVS) to enable him to certify the annual return to the Department for Education. We visit a proportion of LEA schools each year to perform an independent assessment of their performance against the Standard. In 2019-20 we visited 14 of the 39 schools. The remaining schools provide Internal Audit with a self-assessment return, the results of which are incorporated into an SFVS Annual Report. For the 14 schools that internal audit visited, all were finalised in the year and attracted

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either a Comprehensive (4 schools) or Reasonable (10 schools) overall assurance rating. The SFVS Annual Report for 2018-19 was completed as a brought forward job with a Reasonable overall assurance rating.  The SFVS Annual Report for 2019-20 was still being completed at the end of the financial year and has been carried forward into 2020-21.

This opinion is provided with the following caveats:

- The opinion does not imply that Internal Audit has reviewed all risks, controls and governance arrangements relating to the Council. The opinion is substantially derived from the conduct of risk-based audit work and as such, it is only one component that is taken into account when producing the Council's Annual Governance Statement.

- No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.

- Full implementation of all agreed actions is essential if the benefits of the control improvements detailed in each individual audit report are to be realised.
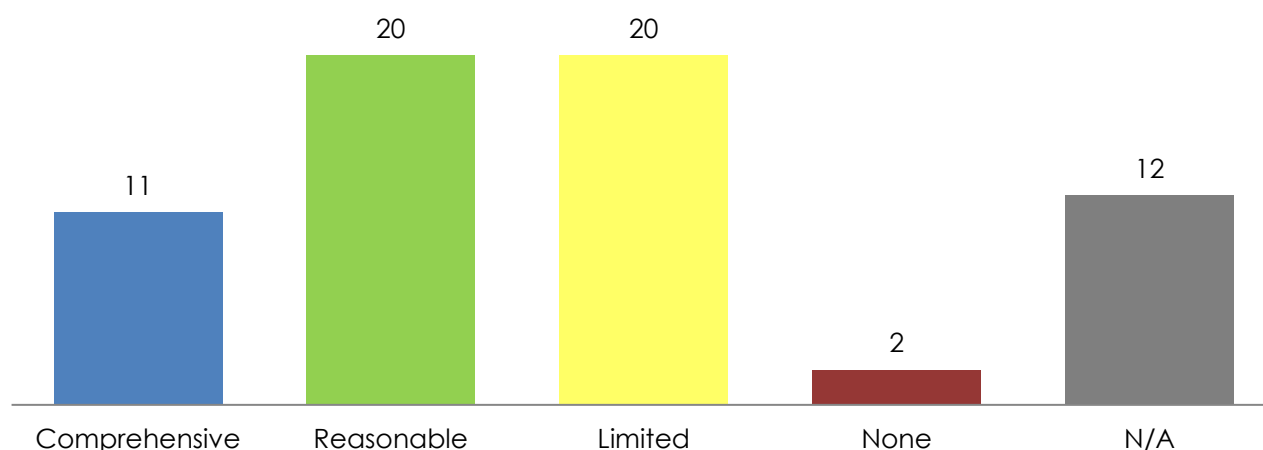
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# Audit Coverage

## Assurances Provided

The following table seeks to summarise the extent of audit coverage provided to Derby City Council during 2019-20 and the assurance ratings associated with each audit assignment.

| Summary of Audit Plan 2019-20 Results (incl. Jobs B/Fwd) | Type of Review | | | | | | | Totals |
|---|---|---|---|---|---|---|---|---|
| | Key Financial System | System/ Risk | Governance /Ethics | IT Audit | Anti-Fraud | Procurement /Contract | Schools | |
| Not Yet Complete | 1 | 5 | | 1 | | 2 | | 9 |
| Comprehensive | 5 | 3 | 1 | | | 2 | 5 | 16 |
| Reasonable | 3 | 10 | 3 | 3 | | 1 | 11 | 31 |
| Limited | 1 | 8 | 3 | 5 | 3 | | | 20 |
| None | | | | | 1 | 1 | | 2 |
| N/A | 2 | 6 | | 1 | 2 | 1 | | 12 |
| | 12 | 32 | 7 | 10 | 6 | 7 | 16 | 90 |

## Assurances Provided 2019-20



**Comprehensive** 11, **Reasonable** 20, **Limited** 20, **None** 2, **N/A** 12

**\* Chart excludes those jobs not yet sufficiently complete and School SFVS review results**

## Assurance Ratings Explained

**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.

**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.

**Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and

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systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

**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.

**N/A** – The type of work undertaken did not allow us to reach a conclusion on the adequacy of the overall level of internal control.

These assurance ratings are determined using our bespoke modelling technique which takes into account the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks.

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## Audit Plan Assignments 2019-20

| Audit Assignments Completed in Period | Assurance Rating | Recommendations Made | | | | % Recs Closed |
|---|---|---|---|---|---|---|
| | | Critical Risk | Significant Risk | Moderate Risk | Low Risk | |
| Grant Certification Work 2019-20 | N/A | | | | | n/a |
| Main Accounting 2019-20 | Comprehensive | | | | 1 | |
| Treasury Management 2019-20 | Comprehensive | | | | 2 | 100% |
| Taxation | Comprehensive | | | | 4 | 50% |
| Welfare Reform Reserve | Comprehensive | | | | 2 | |
| Debt Recovery | Reasonable * | | | | | n/a |
| Creditors - Follow Up | | | | | | n/a |
| Payroll | Reasonable | | | 2 | 2 | 100% |
| Key financial systems - GL interfaces | N/A | | | | | n/a |
| Fixed Assets 2018-19 | Limited * | | | | | n/a |
| Creditors Accounts Payable | Reasonable | | | 2 | 2 | 100% |
| Grant Certification | Comprehensive | | | 1 | 1 | 100% |
| Risk Management Strategy & Process | | | | | | n/a |
| Programme Management Office | Reasonable | | | | 1 | 100% |
| Billing for Home Care | Reasonable | | | 2 | 4 | 17% |
| Deprivation of Liberty | Limited | | | 6 | 2 | 75% |
| Adult Learning Service - Cultural Change | Reasonable * | | | | | n/a |
| Payments for Children's Social Care | Limited | | | 4 | 6 | 90% |
| Special Educational Needs - Action Plan | Limited * | | | | | n/a |
| Translation Services - Follow Up | Reasonable * | | | | | n/a |
| Peoples - Risk Management | | | | | | n/a |
| Local Area Co-Ordination | Reasonable | | | 1 | 1 | 100% |
| Corporate Parenting - PEP monitoring | Reasonable | | | 1 | 2 | 100% |
| Children Sexual Exploitation Prevention Strategy | Reasonable | | | 4 | 1 | 100% |
| HR Strategy - Project | N/A | | | | | n/a |
| Attendance Management - First Care | | | | | | n/a |
| Agency Spend and Contract Monitoring | Reasonable | | | 4 | | 25% |
| CMIS – Information Security | N/A | | | | 1 | 100% |
| Records Management Policy | N/A | | | 1 | 3 | |
| Corporate Resources - Risk Management | | | | | | n/a |
| Document Management & Network Printing | Reasonable | | | 1 | 1 | |
| People Management 2017-18 | Reasonable | | | 1 | 2 | 100% |
| CCTV  Access Control - Corporate Resources | Limited | | | | 4 | 100% |
| CCTV - Access Control - Parking | N/A | | | 1 | 9 | 60% |
| CCTV - Access Control - Public Protection | N/A | | | 4 | 4 | 63% |
| Public Utilities Management | Limited | | | 4 | 5 | 56% |
| Bereavement Services | Limited | 2 | | | 4 | 17% |
| s38 Agreements/s278 works - 1980 Highways Act | N/A | | | | 1 | |
| Highways Code of Practice - Road Defects | N/A | | | 2 | | 100% |
| Parking Services – Cashless Payments | N/A | | | | | n/a |
| Bus Station – Processes & Procedures | Limited * | | | | | n/a |
| Planning Application Process | Comprehensive | | | | 1 | 100% |
| Home to School Transport | Limited | 1 | | 5 | 1 | |
| Communities & Place - Risk Management | | | | | | n/a |
| Planning & Development Control | Comprehensive | | | | 4 | 100% |
| Taxi Licensing | Comprehensive | | | | 1 | 100% |
| NHS - IT Toolkit | Reasonable | | | 1 | | |

# Derby City Council – Internal Audit Annual Report 2019-20

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| People Services - Scheme of Delegation | Limited | | | 1 | 3 | | 25% |
| SIRO/Caldicott Guardian | Reasonable | | | | 1 | 1 | |
| Corporate Resources - Scheme of Delegation | Limited * | | | | | | n/a |
| BREXIT Planning | Comprehensive | | | | | 2 | 100% |
| External Funding | Reasonable | | | | 1 | 3 | 25% |
| Communities & Place - Scheme of Delegation | Limited * | | | | | | n/a |
| Digital Channels - TerminalFour | Limited | | | 1 | 2 | 7 | 90% |
| Digital Channels - Firmstep | Reasonable | | | | 4 | 7 | 64% |
| Database Servers | N/A | | | | 2 | | 100% |
| Domain Accounts | Reasonable | | | | 2 | 2 | 50% |
| Mailbox Security | Limited | | | 1 | | | 100% |
| IKEN System Security - Follow Up | Limited | | | | 5 | 3 | 100% |
| Home Drive Security | Limited | | | | 4 | 2 | 50% |
| Backups | | | | | | | n/a |
| Parking Permit System | Limited * | | | | | | n/a |
| Liquid Logic/Servelec Follow-up | Reasonable | | | | 2 | 3 | 80% |
| Lawn Primary School - Headteacher | N/A | | | | | | n/a |
| Coroner's Service | Limited | | | 3 | | | |
| Planning Complaint - Pastures Hill | N/A | | | | | | n/a |
| Catering 2019-20 | Limited | | | | 5 | 1 | 50% |
| Derby Arena Car Parks | Limited * | | | | | | n/a |
| A52 - Project overspend - Systems Weaknesses | None | | | 23 | 27 | 3 | 100% |
| A52 Corporate - Follow Up | Reasonable * | | | | | | n/a |
| Comm. & Industrial Products Contract Monitoring | Comprehensive | | | | | 1 | 100% |
| New Swimming Pool Complex - Contract Mgmt | Comprehensive | | | | 1 | 1 | 100% |
| A52 Scheme - Follow Up | | | | | | | n/a |
| Performance Venue - Contract Management | N/A | | | | | | n/a |
| Market Hall Refurbishment | None* | | | | | | n/a |
| Our City Our River - Contract Management | | | | | | | n/a |
| Schools SFVS Self Assessment 2019-20 | Reasonable | | | | | | n/a |
| **TOTALS** | | | | **32** | **107** | **107** | **70%** |

**\* Assurance ratings yet to be finalised**

## Internal Controls Examined

For those audits finalised during 2019-20, we established the following information about the controls examined:



Derby City Council 2019-20
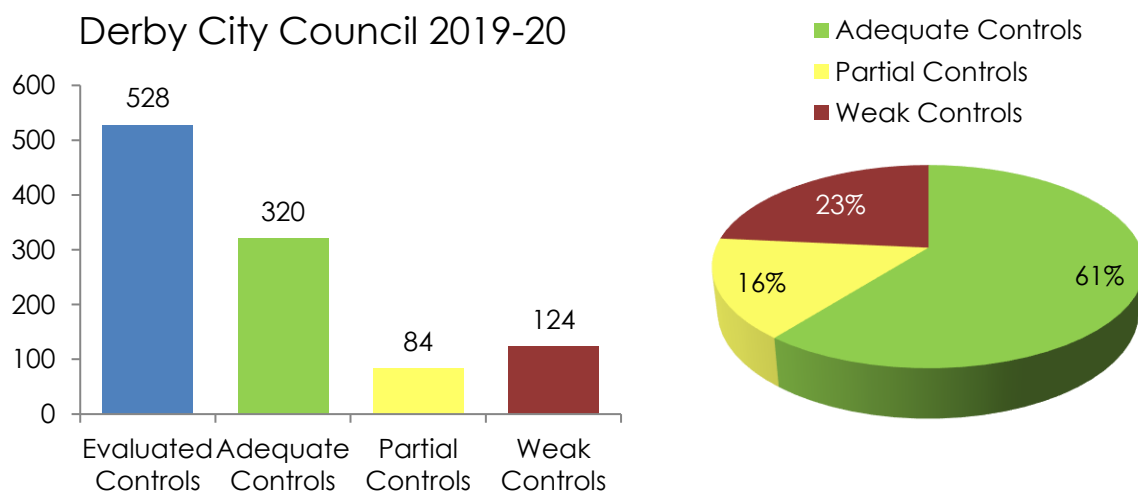
# Derby City Council – Internal Audit Annual Report 2019-20

## Recommendations Made

The control weaknesses identified above resulted in 252 recommendations which suggested actions for control improvements. The following table and charts show where the recommendations came from, how the recommendations were risk rated and the current status of all recommendations made in 2019-20:

| Audit Assignments Completed in Period | Type of Review | Recommendations Status | | | |
|---|---|---|---|---|---|
| | | Total Closed | Action Due | Being Implemented | Future Action |
| Grant Certification Work 2019-20 | Key Financial System | | | | |
| Main Accounting 2019-20 | Key Financial System | | | 1 | |
| Treasury Management 2019-20 | Key Financial System | 2 | | | |
| Taxation | Key Financial System | 2 | | | 2 |
| Welfare Reform Reserve | Key Financial System | | 2 | | |
| Debt Recovery | Key Financial System | | | | |
| Creditors - Follow Up | Key Financial System | | | | |
| Payroll | Key Financial System | 4 | | | |
| Key financial systems - GL interfaces | Key Financial System | | | | |
| Fixed Assets 2018-19 | Key Financial System | | | | |
| Creditors Accounts Payable | Key Financial System | 4 | | | |
| Grant Certification | Key Financial System | 2 | | | |
| Risk Management Strategy & Process | System/Risk | | | | |
| Programme Management Office | System/Risk | 1 | | | |
| Billing for Home Care | System/Risk | 1 | | | 5 |
| Deprivation of Liberty | System/Risk | 6 | | 1 | 1 |
| Adult Learning Service - Cultural Change | System/Risk | | | | |
| Payments for Childrens Social Care | System/Risk | 9 | | | 1 |
| Special Educational Needs - Action Plan | System/Risk | | | | |
| Translation Services - Follow Up | System/Risk | | | | |
| Peoples - Risk Management | System/Risk | | | | |
| Local Area Co-Ordination | System/Risk | 2 | | | |
| Corporate Parenting - PEP monitoring | System/Risk | 3 | | | |
| Children Sexual Exploitation Preventation Strategy | System/Risk | 5 | | | |
| HR Strategy - Project | System/Risk | | | | |
| Attendance Management - First Care | System/Risk | | | | |
| Agency Spend and Contract Monitoring | System/Risk | 1 | 2 | 1 | |
| CMIS - Information Security | System/Risk | 1 | | | |
| Records Management Policy | System/Risk | | | | 4 |
| Corporate Resources - Risk Management | System/Risk | | | | |
| Document Management & Network Printing | System/Risk | | | 2 | |
| People Management 2017-18 | System/Risk | 3 | | | |
| CCTV  Access Control - Corporate Resources | System/Risk | 4 | | | |
| CCTV - Access Control - Parking | System/Risk | 6 | | 4 | |
| CCTV - Access Control - Public Protection | System/Risk | 5 | | 3 | |
| Public Utilities Management | System/Risk | 5 | 3 | 1 | |
| Bereavement Services | System/Risk | 1 | 1 | 4 | |
| s38 Agreements/s278 works - 1980 Highways Act | System/Risk | | 1 | | |
| Highways Code of Practice - Road Defects | System/Risk | 2 | | | |
| Parking Services – Cashless Payments | System/Risk | | | | |
| Bus Station – Processes & Procedures | System/Risk | | | | |
| Planning Application Process | System/Risk | 1 | | | |

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# Derby City Council – Internal Audit Annual Report 2019-20

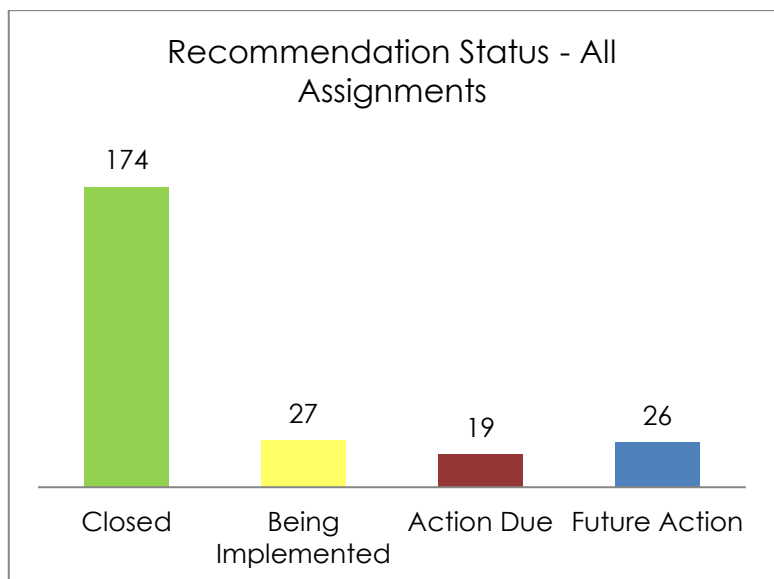| | | | | | |
|---|---|---|---|---|---|
| Home to School Transport | System/Risk | | | | 7 |
| Communities & Place - Risk Management | System/Risk | | | | |
| Planning & Development Control | System/Risk | 4 | | | |
| Taxi Licensing | System/Risk | 1 | | | |
| NHS - IT Toolkit | Governance/Ethics | | | | 1 |
| People Services - Scheme of Delegation | Governance/Ethics | 1 | 3 | | |
| SIRO/Caldicott Guardian | Governance/Ethics | | 1 | | 1 |
| Corporate Resources - Scheme of Delegation | Governance/Ethics | | | | |
| BREXIT Planning | Governance/Ethics | 2 | | | |
| External Funding - vetting prior to award of funds (EPM Ltd) | Governance/Ethics | 1 | 3 | | |
| Communities & Place - Scheme of Delegation | Governance/Ethics | | | | |
| Digital Channels - TerminalFour | IT Audit | 9 | | 1 | |
| Digital Channels - Firmstep | IT Audit | 7 | | 4 | |
| Database Servers | IT Audit | 2 | | | |
| Domain Accounts | IT Audit | 2 | | 1 | 1 |
| Mailbox Security | IT Audit | 1 | | | |
| IKEN System Security - Follow Up | IT Audit | 8 | | | |
| Home Drive Security | IT Audit | 3 | | | 3 |
| Backups | IT Audit | | | | |
| Parking Permit System | IT Audit | | | | |
| Liquid Logic/Servelec Follow-up | IT Audit | 4 | | 1 | |
| Lawn Primary School - Headteacher | Anti-Fraud | | | | |
| Coroner's Service | Anti-Fraud | | | 3 | |
| Planning Complaint - Pastures Hill | Anti-Fraud | | | | |
| Catering 2019-20 | Anti-Fraud | 3 | 3 | | |
| Derby Arena Car Parks | Anti-Fraud | | | | |
| A52 - Project overspend - Systems Weaknesses | Anti-Fraud | 53 | | | |
| A52 Corporate - Follow Up | Procurement/Contract | | | | |
| Commercial & Industrial Products Contract Monitoring | Procurement/Contract | 1 | | | |
| New Swimming Pool Complex - Contract Management | Procurement/Contract | 2 | | | |
| A52 Scheme - Follow Up | Procurement/Contract | | | | |
| Performance Venue - Contract Management | Procurement/Contract | | | | |
| Market Hall Refurbishment | Procurement/Contract | | | | |
| Our City Our River - Contract Management | Procurement/Contract | | | | |
| Schools SFVS Self Assessment 2019-20 | Schools | | | | |
| **TOTALS** | | **174** | **19** | **27** | **26** |

CMAP central midlands audit partnership

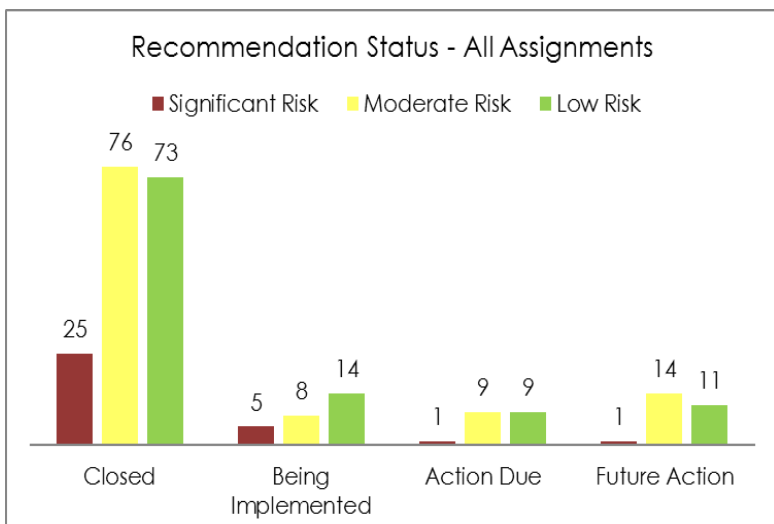# Derby City Council – Internal Audit Annual Report 2019-20

## Recommendations Summary

These 246 recommendations have resulted from the 65 audit assigments finalised either during 2019-20 or finalised in the time following the year-end. Approximately 43.5% of all recommendations made were considered to present a low risk, 43.5% a moderate risk and 13% a significant risk.

**Recommendations Made 2019-20**

| Significant Risk | Moderate Risk | Low Risk |
|---|---|---|
| 32 | 107 | 107 |
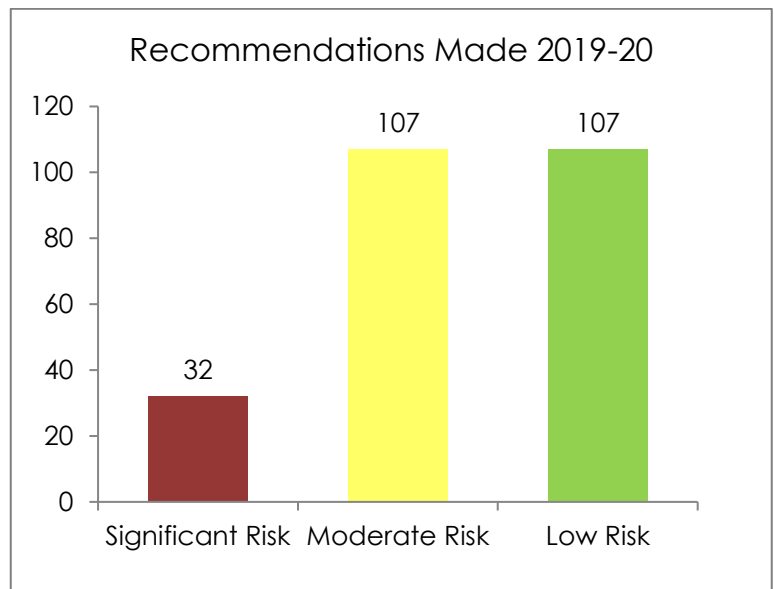
Of the 246 recommendations made, 71% have been closed, 11% have passed their original action date and a revised target has been set, 7.7% have passed their original action date but we have not yet received information regarding the status of management's action. The remaining 10% have an agreed original action date set in the future.

**Recommendation Status - All Assignments**

| Closed | Being Implemented | Action Due | Future Action |
|---|---|---|---|
| 174 | 27 | 19 | 26 |

It is pleasing to note that 25 of the significant risk recommendations raised have been addressed to our satisfaction, as have 76 of the moderate risk recommendations. We will continue to monitor all recommendations not yet addressed and will bring those significant and moderate risk recommendations that remain outstanding to the attention of the Audit & Accounts Committee throughout the coming year.
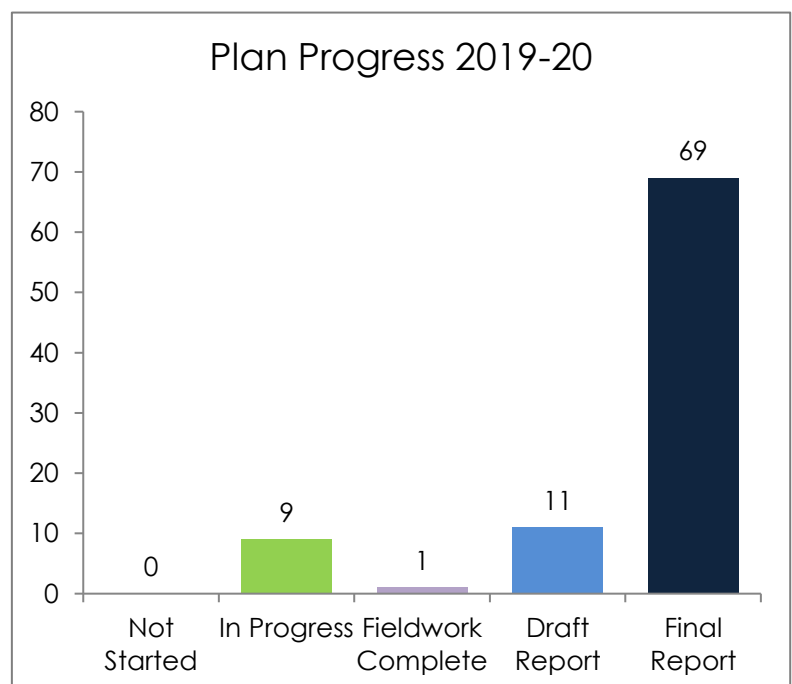
**Recommendation Status - All Assignments**

Legend: Significant Risk, Moderate Risk, Low Risk

| | Closed | Being Implemented | Action Due | Future Action |
|---|---|---|---|---|
| Significant Risk | 25 | 5 | 1 | 1 |
| Moderate Risk | 76 | 8 | 9 | 14 |
| Low Risk | 73 | 14 | 9 | 11 |

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# Performance Measures

Of the 45 customer satisfaction surveys sent, only 38% have been returned. Surveys contain 11 questions regarding the audit service provided and asked managers to score each on a scale of 1-5 (1=Very Poor, 2=Poor, 3=Fair, 4=Good, 5=Excellent). From the 17 customer satisfaction returns received, the overall average score out of 55 was 51.5.

**Customer Satisfaction Returns 2019-20**

| Category | Value |
|----------|-------|
| Excellent | 14 |
| Good | 3 |
| Fair | 0 |
| Poor | 0 |
| Very Poor | 0 |

By the end of the 2019-20 we estimated that we had completed 90.5% of the revised Audit Plan against a target of 90%. Our progress with certain audit assignments has been impacted by the Covid-19 situation from the middle of March 2020 onwards.

**Plan Progress 2019-20**

| Category | Value |
|----------|-------|
| Not Started | 0 |
| In Progress | 9 |
| Fieldwork Complete | 1 |
| Draft Report | 11 |
| Final Report | 69 |

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# QAIP – Improvement Plan

| ACTIONS |
|---|
| 1. We could seek feedback from Audit Committees & Senior Management on whether the Audit Plan focuses on the things that matter to the organisation and whether our opinion and recommendations are valued and help the organisation or we could seek a formal endorsement from Audit Committee and Client Lead Officer of the Audit Plan and our Opinion when reporting to Committee. |
| 2. We should continue to heighten our profile by building on the relationship management already established with each partner organisation. i.e. Regular meetings with senior management and regular on-site presence. |
| 3. To avoid any perceived conflicts of interest, we should re-iterate/ emphasise our rules and individual responsibilities to matters concerning the impairment of our professional judgement. As we have new members of the team, this could be discussed at a future Team Meeting. |
| 4. Ethical use of information should be emphasised at a team meeting when discussing auditor responsibilities towards security and confidentiality of information in their possession. |
| 5. We should map competency levels of staff over the various audit disciplines (e.g. contract, IT, probity, investigations etc.) that we can link to audit engagements to demonstrate that the staff assigned are appropriate. |
| 6. We should continue to promote a culture of continuous improvement which considers the needs of individuals by:<br>• staff completing the AMS in respect of any training received,<br>• undertaking GPCs in accordance with the hosts requirements and<br>• producing a Training & Development Plan. |
| 7. Our opinion statements should explicitly state whether there are any perceived conflicts of interest with any other assurance providers which the CAE is relying upon when forming an opinion. |
| 8. We should ask staff to complete a Personal Development Plan and then produce a Training & Development Plan for the Team. |
| 9. We should establish a robust process for engaging capable assistance when resource shortfalls exist (e.g. contracts for Co-sourcing, specialists service providers etc.) |
| 10. To ensure that audit engagements are supported by appropriate tools, we should encourage Auditors greater use of CAATs (e.g. IDEA and analytical Excel functions) and consider whether it would be beneficial to record when they have been used to identify potential development opportunities. |
| 11. Complete this self–assessment and produce a revised QAIP and Action Plan for reporting to all necessary parties. |
| 12. To demonstrate stakeholder engagement with the process, we should ensure that the QAIP Action Plan is a standard agenda item on both Operational Management group and at Audit Section meetings. |
| 13. To demonstrate each work programme has been appropriately approved, we should continue to develop the controls/risk/tests selection from a searchable database in the AMS (which will automatically generate the control evaluation) |

which incorporates attributes for each control (such as risk type, control type) so we can better demonstrate our coverage and the scrutiny and approval of that coverage by audit management. We should continue to gather control/risk/test data from existing audits ready for import into the database. In the interim we could record the development and approval of the programme of work in the AMS.

14. The Audit Together Partnership has initiated a potential peer review opportunity for all Group members to participate in. We should enquire with members of the Group whether anyone would be prepared to undertake an external review of CMAP when it is next due.

15. We should produce a revised Business Plan that demonstrates how the internal audit activity intends to add value to each organisation.

16. We should continue to develop the process for incorporating other assurance information into our overall risk assessment process and our overall opinion and how the other assurance provider information we gather can be used to demonstrate the overall Assurance 'map' for each organisation.

17. We should ensure that our Audit Manual is complete, up-to-date, readily available and used by all audit staff.

18. To support the improvement of the organisation's governance framework, we should undertake consultancy work to facilitate the self-assessment of the effectiveness of the Audit Committee at all partner organisations.

19. We should consider how we could systematically evaluate the potential for the occurrence of fraud at each partner organisation and how each organisation manages fraud risk.