

Derby City Council – Internal Audit Plan - Progress Report (Covering the period 1st June 2018 to 31 August 2018) Audit & Accounts Committee: 19th September 2018



Derby City Council



Contents

Page

AUDIT DASHBOARD	3
AUDIT PLAN	4
AUDIT COVERAGE	7
UNPLANNED WORK	10
PLAN CHANGES	11
RECOMMENDATION TRACKING	11

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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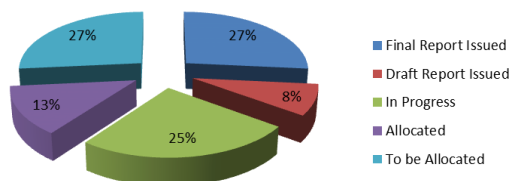
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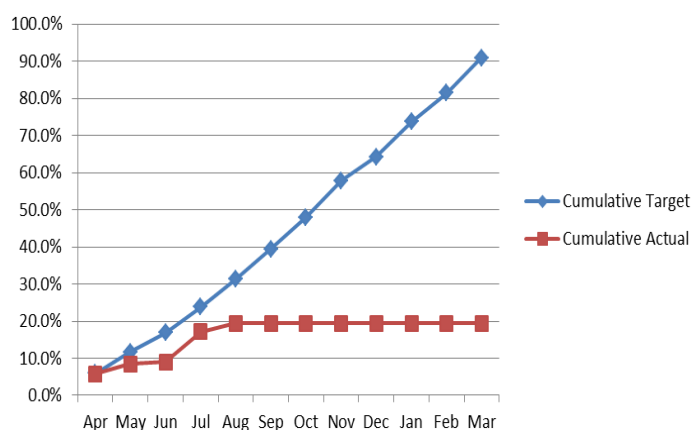
AUDIT DASHBOARD

Plan Progress (excluding individual school SFVS work)

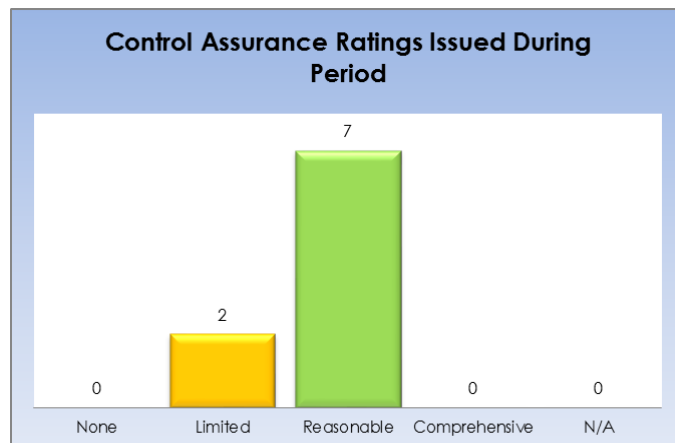


Assignment Status	Totals	%
Final Report Issued	22	27%
Draft Report Issued	7	8%
In Progress	21	25%
Allocated	11	13%
To be Allocated	22	27%
Total	83	100%

Service Delivery year to date



Assurance Opinion for jobs completed 1st June to 31 August 2018 (excluding schools)



Recommendation Tracking

Open Recommendations as at 31st August 2018 (excluding schools)

Risk Rating	Low Risk	Moderate Risk	Significant Risk	Total
Recs open at last Committee	87	49	6	142
Recs made in period	40	22	2	64
Recs closed in period	39	20	2	61
Recs currently open*	88	51	6	145

(* Recs open last committee + Recs made in period - Recs closed in period)

AUDIT PLAN

Progress on Audit Assignments

The following table provides Audit and Accounts Committee with information on how all planned audit assignments were progressing as at 31st August 2018.

2018-19 Jobs	Status	% Complete	Assurance Rating
Corporate Resources			
Probity - Discretionary Housing Payments	Final Report Issued	100%	Reasonable
Open Text Security	Final Report Issued	100%	Reasonable
IKEN System Security	Final Report Issued	100%	Limited
IT Asset Disposal	Draft Report Issued	95%	
Cash Management - CH Kiosk Payments	In Progress	75%	
Probity - Heritage Assets	In Progress	65%	
Key financial systems - GL interfaces	In Progress	60%	
Health & Safety - Contractors Policy	In Progress	60%	
Probity - FOI & SARs	In Progress	60%	
Translation Services	In Progress	50%	
Grant Certification Work	In Progress	45%	
Creditors Accounts Payable	In Progress	40%	
IT Project Development	Allocated	25%	
Probity - Corporate Pledges	Allocated	5%	
Insurance Valuation	Allocated	5%	
Document Management/ Network Printing	Allocated	0%	
Whistleblowing Investigations	Allocated	3%	
Delivering differently - Projects Monitoring	Allocated	0%	
Project-Development -non IT	Not Allocated	0%	
Assurance Mapping - other assurance providers	Not Allocated	0%	
Risk Management - Embedding	Not Allocated	0%	
Data Quality & Performance	Not Allocated	0%	
Data Protection / GDPR	Not Allocated	0%	
Election Services	Not Allocated	0%	
Asset Management - Asset Portfolio management	Not Allocated	0%	
Land Charges	Not Allocated	0%	
ICT Audits	Not Allocated	0%	
IT Change management	Not Allocated	0%	
Confirm IT system Security	Not Allocated	0%	
Terminal 4 IT system security	Not Allocated	0%	
Liquid Logic IT f/up review	Not Allocated	0%	
Servlec IT f/up review	Not Allocated	0%	
Civica/Flare - IT system security	Not Allocated	0%	
Peoples Services			
Shared Lives-Service Delivery & contractual	In Progress	60%	

arrangements monitoring			
Children Sexual Exploitation Prevention Strategy - monitoring of implementation	Allocated	5%	
Public Health - Commissioning	Allocated	0%	
Adults Commissioning - Contract performance framework	Not Allocated	0%	
Local Area Co-Ordination - Impacts & outcomes	Not Allocated	0%	
Schools Standards& Performance Monitoring	Not Allocated	0%	
Corporate Parenting -Personal Education Plan monitoring	Not Allocated	0%	
Social Care Field work- prevention & early intervention	Not Allocated	0%	
Children's Commissioning - Contract performance framework	Not Allocated	0%	
Public Health consultancy- Health care services	Not Allocated	0%	
Communities & Place			
Homelessness Reduction Act - Empty Homes Strategy	In Progress	70%	
Licensing- Taxi	In Progress	50%	
Cash Management - Car Parks 3rd Party Collections	In Progress	15%	
Planning and Development Control- Planning Applications processing	In Progress	5%	
Probity – Lone Working Arrangements	Allocated	5%	
CCTV -CH Control room; Care Homes; Bus Station; Multi car parks	Allocated	0%	
Anti-Fraud & Corruption			
High value contracts-monitoring delivery	In Progress	55%	

2017-18 Jobs	Status	% Complete	Assurance
Corporate Resources			
Grant Certification Work 2017-18	Final Report Issued	100%	Comprehensive
Social Media - Monitoring	Final Report Issued	100%	Reasonable
Payroll - Key Controls & IR35	Final Report Issued	100%	Reasonable
Organisational Culture & Ethics	Final Report Issued	100%	Reasonable
CCTV Management Arrangements	Final Report Issued	100%	Reasonable
Severlec Synergy Data Quality Checks	Final Report Issued	100%	Reasonable
File Share Management	Final Report Issued	100%	Reasonable
Procurement Monitoring	Final Report Issued	100%	Reasonable
Cash Policy Review Group	Final Report Issued	100%	N/A
General Data Protection Regulation Review	Draft Report Issued	95%	
Section 24 - Financial Controls	Draft Report Issued	95%	
Section 24 - Capital Asset Valuations	Draft Report Issued	95%	

People Management 2017-18	In Progress	75%	
Contract Monitoring 2017-18	In Progress	70%	
People Services			
DCC Public Health – PharmOutcomes	Final Report Issued	100%	Comprehensive
Adults Commissioning - Contract Management	Final Report Issued	100%	Reasonable
Leaving Care Payments	Final Report Issued	100%	Reasonable
Payment of Adoption Allowances	Final Report Issued	100%	Reasonable
Direct Payments - Mental Health	Final Report Issued	100%	Reasonable
Out of Area Placements	Draft Report Issues	95%	
EPM Contract Monitoring	Draft Report Issues	95%	
Communities & Place			
Connect Derby - Rents	Final Report Issued	100%	Reasonable
Markets	Final Report Issued	100%	Limited
Licensing -Alcohol	In Progress	80%	
Bus Station Recharges/Income	In Progress	70%	
Metro Dynamics Governance Arrangements	In Progress	20%	
Partnership Arrangements for Building Controls	Allocated	0%	
Anti-Fraud & Corruption			
Customer Services Investigation	Final Report Issued	100%	Limited
Compliance - HR	Final Report Issued	100%	Limited
Investigation - Catering	Draft Report Issued	95%	
Probity - MTFP(Agile)	In Progress	70%	

Schools	Status	% Complete	Assurance
Schools SFVS Self-Assessment 2017/18	Job Complete	100%	Comprehensive
Schools SFVS Self-Assessment 2018/19	In Progress	25%	
School Audits	In Progress	5%	

AUDIT COVERAGE

Completed Audit Assignments

Between 1st June 2018 and 31st August 2018, the following audit assignments have been finalised since the last Progress Report was presented to this Committee (excluding schools).

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Open Text Security	Reasonable	0	1	2	3	83%
IKEN System Security	Limited	0	0	5	2	86%
File Share Management	Reasonable	0	0	1	7	0%
DCC Payroll - Key controls & IR35	Reasonable	0	0	2	4	17%
Leaving Care Payments	Reasonable	0	0	2	9	18%
Compliance-HR	Limited	0	0	5	2	0%
Discretionary Housing Payments - Probity	Reasonable	0	1	0	1	100%
Organisational Risk Culture & Ethics	Reasonable	0	0	4	2	0%
Adults Commissioning - Contract Management	Reasonable	0	0	1	10	36%

The assurance levels allocated for each audit are graded as:

N/A – assurance work undertaken where a rating opinion was not provided as it related to a specific consultancy/advisory issue.

None - We are not able to offer any assurance as 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 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

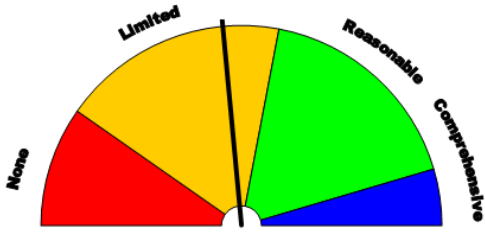
Comprehensive – We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against achievement of objectives well managed.

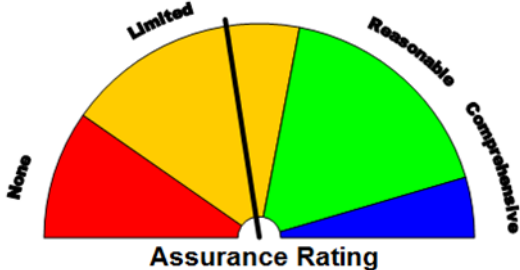
To help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was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

Risk Assessment	Likelihood	Impact
Critical	High	High
Significant	Low	High
Moderate	High	Low
Low	Low	Low

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.

Below are details of all assignments completed in the period with Limited or No Assurance provided.

IKEN System Security	 <p>Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Ensure the security and configuration of the IKEN database server(s) aligns with best practice.	17	13	0	4
Ensure legal data is restricted to only authorised officers on application servers and shared drives.	4	0	0	4
TOTALS	21	13	0	8
Summary of Weakness		Risk Rating	Agreed Action Date	
A significant number of accounts (66 enabled domain accounts, as well as a small number of local accounts) had been granted administrator permissions over the live IKEN database server. In 24 cases, these accounts had not logged into the domain in over 90 days.		Low Risk	28/09/2018	
Backups of the IKEN databases were located on 'Everyone' accessible file shares on two backup staging servers.		Moderate Risk	Implemented	
Copies of the IKEN live databases were running on two unique SQL Servers. The apparent unused copy of the live databases on D-D-SQL-063-P were still subject to daily backup operations. Hosting multiple copies of the IKEN live databases could also lead to oversights in amending or revoking access controls, and enforcing data retention policies.		Low Risk	Implemented	
30 GB worth of sensitive legal records within the file store on the new application server (IKENAPP01) were accessible to all users of the network. Both the 'domain users' group (all users of the network, approximately 5000 accounts), and BUILTIN\Users groups (which also contains domain users) had read permissions, which means these groups can access any documents.		Moderate Risk	Implemented	
Security sensitive information was found to be openly accessible (via BUILTIN\Users, therefore domain users group) on file shares on the current live IKEN application server. This included 2 plain text passwords which were verified by the auditor to be valid credentials on the live IKEN databases.		Moderate Risk	Implemented	
A significant number of accounts (66 enabled domain accounts, as well as a small number of local accounts) had been granted administrator permissions over the live IKEN database server. In 24 cases, these accounts had not logged into the domain in over 90 days.		Moderate Risk	Implemented	
Backups of the IKEN databases were located on 'Everyone' accessible file shares on two backup staging servers.		Moderate Risk	Implemented	

Compliance-HR				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
All payments for overtime worked comply with Council policy and have been authorised by a responsible officer.	6	2	0	4
All payments of honoraria comply with Council policy and have been authorised by a responsible officer prior to payment being made.	12	6	3	3
TOTALS	18	8	3	7
Summary of Weakness		Risk Rating	Agreed Action Date	
The procedures for claiming and authorising overtime payments available on the iDerby intranet were not clear and did not refer to the electronic methods now available.		Low Risk	31/07/2018	
Overtime payments had been authorised and paid for break periods or when the employee had not worked a full 37 hours of normal time. Normal hours of work were not always recorded on time sheets to allow for verification.		Moderate Risk	31/07/2018	
Payments approximating to 10% of the total of overtime payments in a six month period were made to officers employed at grade G or above, contrary to Council policy. We observed in our detailed sample testing that such payments for additional work had often been authorised by a Strategic Director.		Moderate Risk	Implemented	
Honoraria payments were not authorised for a specified period with a nominated end date. Honoraria payments had been authorised and paid in retrospect, up to 16 months after the additional duties had been undertaken.		Moderate Risk	30/06/2018	
Honorarium payments had been made without the request forms being authorised by the appropriate line manager.		Low Risk	30/06/2018	
Honorarium payments were authorised beyond an initial six months' term without formal renewal, contrary to the Council's Honorarium Policy. Payments were also authorised beyond the 12 months maximum allowable.		Moderate Risk	Implemented	
The honorarium process had been used in instances where employees were covering 100% of the elevated role, instead of creating a temporary post at the correct grade and scale under the acting up process.		Moderate Risk	Implemented	

UNPLANNED WORK

In May, Internal Audit was asked to carrying out an investigation into the letting of the contract for the A52 Wyvern Transport Improvements Scheme and the subsequent performance issues.

PLAN CHANGES

The 2018/2019 proposed internal audit plan was presented to Audit and Accounts Committee for approval at its meeting on 20th March 2018

Following consultation with Senior Management, in light of the investigation relating to A52 highways project, and time to be reallocated to this significant work, the following changes to the Audit Plan are proposed, to remove:

- Highways Maintenance – New delivery framework
- IT local Support services

RECOMMENDATION TRACKING

It was agreed at the Committee meeting on 19 June 2018 that any recommendations not implemented, where the original action date is exceeded by over 12 months, would be reported to the Corporate Leadership Team and the relevant Cabinet Member. If the recommendation is still not implemented within three months, then the relevant Chief Officer, and responsible officer if necessary, will be required to provide an update at the next meeting of the Audit and Accounts Committee.

The Head of Internal Audit believes that this timescale for escalation is too long. It is suggested that the following timescales are introduced.

- Critical Risk and Significant Risk recommendations – where the original action date is exceeded by over 3 months
- Moderate Risk and Low Risk recommendations – where the original action date is exceeded by over 6 months

There are currently 5 significant risk recommendations that are overdue for implementation. Two of these exceed 3 months, and in both cases Internal Audit has agreed a revised implementation date. A further significant risk recommendation is 2 months overdue, and again a revised implementation date has been agreed. The 2 remaining significant risk recommendations are one month overdue.