



central midlands audit partnership

Derby City Council – Audit Progress Report

Audit & Accounts Committee: 24th March 2021



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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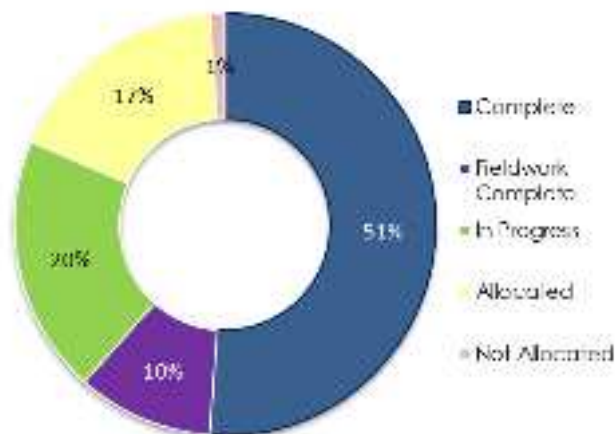
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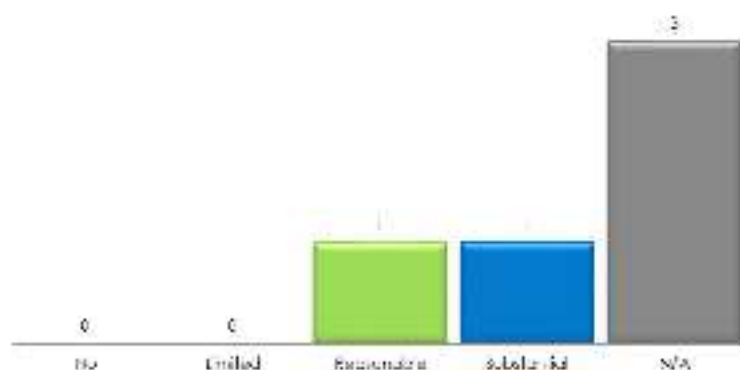
AUDIT DASHBOARD

Plan Progress



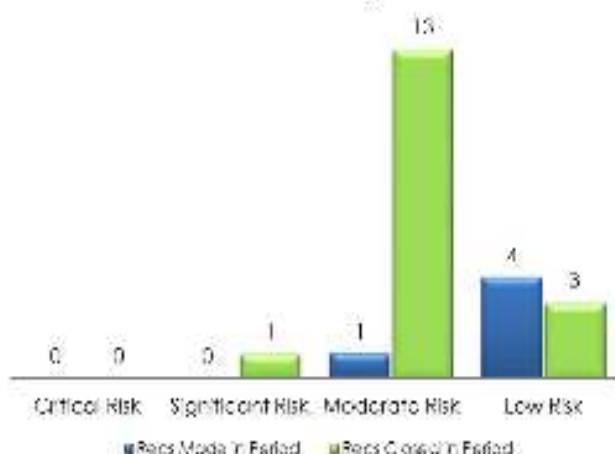
Jobs Completed in Period

Control Assurance Ratings During Period



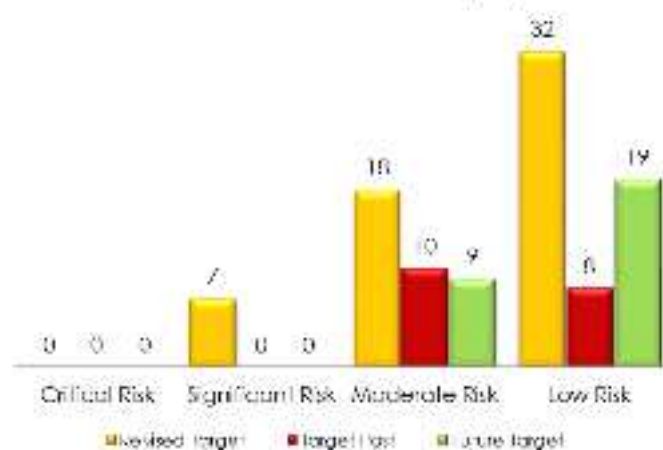
Recommendations

Movement During Period



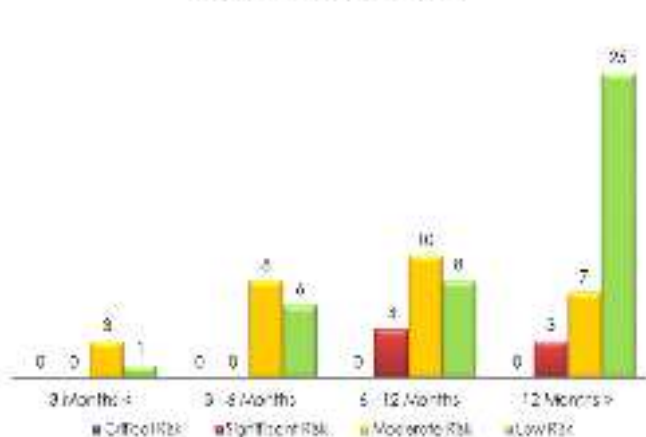
Recommendations

Recommendations Currently Open



Recommendations

Overdue Recommendations



Customer Satisfaction

Customer Satisfaction Scores Mar 20 to Mar 21



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AUDIT PLAN

Progress on 2020/21 Audit Assignments

The following table provide Audit and Accounts Committee with information on how ongoing audit assignments were progressing as at 8th March 2021.

2020-21 Jobs	Status	% Complete	Assurance Rating
People Services			
Direct Payments	Deferred to 21/2	0%	
Pre-Paid Cards	In Progress	55%	
School Admissions	Final Report	100%	Substantial
Independent Review for Chief Executive	In Progress	95%	
School – Consultancy re Financial Processes	Allocated	0%	
School - Mileage Expenses	Allocated	0%	
Corporate Resources			
Data Quality & Performance Management	Not Allocated	0%	
Project Delivery - Fact Finding	In Progress	10%	
Grant Certification Work 2020/21	In Progress	50%	
Budget Management	In Progress	5%	
Payment Systems - In Light of Covid 19	In Progress	15%	
Procurement Cards 2020/21	In Progress	40%	
Covid19 Business Support Grants	Complete	100%	N/A
Financial Reporting - Impact of Covid19	In Progress	45%	
People Management	Draft Report	95%	
Democratic Services - Impact of Covid 19	In Progress	15%	
Insurance 2020-21	In Progress	10%	
SR5 - Non-complaint condition of council properties	Allocated	0%	
Asbestos Removal Contract Management	Final Report	100%	Substantial
SR8 - Poor Data and Records Management	Allocated	0%	
Microsoft 365 Security	Fieldwork Complete	90%	
File Server Security Risk	Final Report	100%	N/A
Boundary Defence	In Progress	20%	
Controlled Use of Administrative Privileges	Fieldwork Complete	90%	
Back Up Files – Follow Up	Final Report	100%	N/A
Folder Access Control Settings	Final Report	100%	N/A
Domain Password Security	In Progress	35%	
Data Security Risk	Final Report	100%	N/A
Test & Trace Support Payments	Complete	100%	N/A
Communities & Place			
Business Continuity - In Light of Covid 19	In Progress	15%	
Sinfin Waste Plant	In Progress	25%	
Neighbourhood Boards	Draft Report	95%	
Section 106 Agreements 2020-21	In Progress	70%	
RAM Energy	Final Report	100%	N/A
Parking Permits	Deferred to 21/2	5%	
Strategic Housing	Deferred to 21/2	0%	
Strategic Housing - Disabled Facilities Grants	Final Report	100%	Reasonable
Covid 19 Discretionary Support Grants	Complete	100%	N/A
Covid - Community Hub	Allocated	0%	

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Leisure & Business Development	Complete	100%	N/A
Fact Finding Investigation - Grant Payment	Complete	100%	N/A
Schools			
Schools SFVS	In Progress	35%	

B/Fwd Jobs	Status	% Complete	Assurance Rating
People Services			
Billing for Home Care	Final Report	100%	Reasonable
Adult Learning Service - Cultural Change	Final Report	100%	Reasonable
Special Educational Needs - Action Plan	Final Report	100%	Limited
Translation Services - Follow Up	Final Report	100%	Reasonable
NHS - IT Toolkit	Final Report	100%	Reasonable
Peoples - Risk Management	In Progress	75%	
Corporate Resources			
Main Accounting 2019-20	Final Report	100%	Substantial
Taxation	Final Report	100%	Substantial
Debt Recovery	Draft Report	95%	
Creditors - Follow Up	Final Report	100%	Substantial
HR Strategy - Project	Final Report	100%	N/A
Attendance Management - First Care	Final Report	100%	Substantial
CMIS – Information Security	Final Report	100%	N/A
SIRO / Caldicott Guardian	Final Report	100%	Reasonable
Legal Case Management System Security - Follow Up	Final Report	100%	Limited
Home Drive Security	Final Report	100%	Limited
Backups	Final Report	100%	Reasonable
Parking Permit System	Final Report	100%	Limited
Corporate Resources - Scheme of Delegation	Complete	100%	Limited
Corporate Resources - Risk Management	In Progress	75%	
Fixed Assets 2018-19	Draft Report	95%	
Risk Management Strategy & Process	In Progress	75%	
A52 Corporate - Follow Up	Final Report	100%	Reasonable
Communities & Place			
New Swimming Pool Complex - Contract Management	Final Report	100%	Substantial
s38 Agreements/s278 works - 1980 Highways Act	Final Report	100%	N/A
Bus Station – Processes & Procedures	Final Report	100%	Limited
A52 Scheme - Follow Up	Final Report	100%	Reasonable
Planning Application Process	Final Report	100%	Substantial
Home to School Transport	Final Report	100%	Limited
Market Hall Refurbishment	Final Report	100%	No
Our City Our River - Contract Management	Final Report	100%	Reasonable
Communities & Place - Scheme of Delegation	Complete	100%	Limited
Communities & Place - Risk Management	In Progress	75%	
Derby Arena Car Parks	Draft Report	95%	
Schools			
Schools SFVS Self Assessment 2019-20	Final Report	100%	Substantial

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Audit Programme of Work

- There have been several changes to the plan in Quarter 4, with three audits being postponed until 2020/21:
 - Direct Payments and Strategic Housing have been deferred due to pressures on staff
 - Parking permits has been deferred as the service is wanting to make changes to the sources it uses for validation purposes, which will impact on the audit.
- Three new reviews have been introduced into the plan:
 - Insurance – to provide assurance on the Council's current insurance processes.
 - Non-complaint condition of council properties (Strategic Risk 5) and Poor Data and Records Management (Strategic Risk 8) which are reviews to provide assurance on the operation of the controls designed to mitigate the risks.

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AUDIT COVERAGE

Completed Audit Assignments

Between 1st January 2021 and 8th March 2021, the following audit assignments have been finalised since the last Progress Report was presented to this Committee.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
A52 Scheme - Follow Up	Reasonable					n/a
Asbestos Removal Contract Management	Substantial				4	25%
Leisure & Business Development	N/A					n/a
RAM Energy	N/A					n/a
Data Security Risk	N/A			1		0%

The opinions provided within the audits detailed below have been derived from risk-based audit work and as such, can only provide assurance relating to the specific areas within each objective inspected. These opinions do not imply that Internal Audit have reviewed all risks, controls and governance arrangements relating to this area. Likewise, full implementation of all agreed actions is essential if the benefits of the control improvements detailed in this audit report are to be realised. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.

A52 Scheme - Follow Up (Assurance Rating: Reasonable)


This audit work was undertaken to provide assurance that recommendations made in the A52 Scheme Systems Weaknesses Report (June 2019) had been acted upon and had become embedded in the scheme's governance.

The scheme has now been completed and there are "Lessons Learnt sessions" being held to review it and to understand what went wrong with the aim of informing and benefiting future projects. The findings of this report are being used within these sessions.

The findings/issues from the audit follow up work were:

- Sixteen of the twenty-one recommendations had been implemented at the time of completing our fieldwork in September 2020.
- Three further recommendations were implemented by the time our review was finalised in early November 2020.
- Two recommendations required further evidence be seen of the processes becoming embedded and working in practice. However, early indications demonstrated that actions had commenced to implement the required controls. These recommendations concerned:
 - the Terms of Reference for both the A52 Corporate Board and A52 Project Board not being updated since October 2018 and that they continued to record officers with key responsibilities that had since left the Council.
 - A register of Declarations of Interest for Council Officers or Contractors had not been established.

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Asbestos Removal Contract Management				
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
There are adequate arrangements in place that allow contractual obligations and expectations to be identified and monitored effectively regarding the corporate contract for the Asbestos Removal Contractors Framework.	9	7	2	0
There are adequate arrangements in place that allow contractual obligations and expectations to be identified and monitored effectively regarding the Framework for the Provision of the Asbestos Consultancy Service.	9	6	2	1
TOTALS	18	13	4	1
Summary of Weakness		Risk Rating	Agreed Action Date	
There were no minutes taken for the meetings between the Council and the Contractor for the asbestos removal contract to evidence the process.		Low Risk	01/08/2021 Future Action	
A contract evaluation was not undertaken before the asbestos removal contract was extended for another year.		Low Risk	01/08/2021 Future Action	
Meetings were not scheduled to be quarterly, as the contract for Asbestos Consultancy Service described, and no minutes were taken to evidence the process.		Low Risk	Implemented	
A contract evaluation was not undertaken before the Asbestos Consultancy Service contract was extended for another year.		Low Risk	01/08/2021 Future Action	

Leisure & Business Development (Assurance Rating: N/A)

The financial element of the investigation work (joint work between internal audit and the Counter Fraud team) has been concluded. A report has been provided to the Investigating officer.

RAM Energy (Assurance Rating: N/A)

The audit work was prompted by identified issues between Nottingham City Council and its Energy provider, Robin Hood Energy Limited, which led to the publication of a Report in the Public Interest, issued by their External Auditors. It was recognised that a similar arrangement may have existed between Derby City Council and Robin Hood Energy Limited and the Council may, therefore, be exposed to similar risks. The aim of the review was to assess the arrangements in place, identify any risks and establish the Council's arrangements for mitigation of those risks. When the arrangement with Robin Hood Energy Limited ended prematurely, the review was changed to consultancy work to identify any lessons that could be learnt from this agreement and to offer suggestions for potential mitigating actions that should be considered should similar arrangements be contemplated in the future.

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From a review of the contractual arrangements and available documentation and through discussions with Council officers we identified that the following areas could be improved upon:

- A business continuity plan to be implemented should RAM Energy or Robin Hood Energy Limited fail had not been formally documented.
- A management forum for reporting and directing delivery of the contractual arrangements had not been identified and the responsibilities and protocols of such a group had not been outlined in a formal 'Terms of Reference' document.
- The risks associated with the contractual arrangement had not been fully identified, nor had mitigations been documented.
- The risk register was not being reviewed and updated on a regular basis to demonstrate continuous mitigation, monitoring and escalation of risks, where appropriate.

Data Security Risk (Assurance Rating: N/A)

Personal and sensitive data was readable and amendable in a file share, breaching data protection principles. Management have already implemented certain controls to address this weakness. The Sharepoint Project will implement the restricted access control list in line with Data Protection principles in July 2022.

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RECOMMENDATION TRACKING (as at 8th March 2021)

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
Peoples					
14-Jul-20	Special Educational Needs - Action Plan	Limited	6	1	1
27-Nov-19	Deprivation of Liberty	Limited		2	
14-May-20	Billing for Home Care	Reasonable	1	2	
31-Jul-20	Adult Learning Service - cultural change	Reasonable	1		
02-Jul-18	Leaving Care Payments	Reasonable		1	
30-May-17	Business Intelligence	Reasonable		1	
Corporate Resources					
30-Apr-20	Home Drive Security	Limited		3	
22-Aug-19	Coroner's Service	Limited		3	
15-Apr-19	Public Utilities Management	Limited	3	1	
09-Dec-20	Back Ups	Reasonable			7
27-Mar-20	Agency Spend and Contract Monitoring	Reasonable		1	
20-Feb-20	Domain Accounts	Reasonable		2	
21-Nov-19	Digital Channels - CRM	Reasonable		2	
07-May-20	SIRO/Caldicott Guardian	Reasonable		1	
22-Mar-19	Land Charges Income	Reasonable		1	
20-Dec-18	Delivering differently Project Management	Reasonable		2	
24-Apr-19	Document Management & Network Printing	Reasonable		2	
25-Mar-19	Insurance Valuation	Reasonable	1		
30-Jul-18	File Share Management	Reasonable		4	
18-Jan-19	MTFP(Agile)	Reasonable		1	
12-Feb-19	Fixed Assets- S24 Capital Controls	Reasonable		1	
09-Mar-20	Welfare Reform Reserve	Comprehensive	2		
24-Feb-21	Asbestos Removal Contract Management	Substantial			3
22-Sep-20	Creditors - Follow Up	Substantial		1	
10-Dec-20	Attendance Management - First Care	Substantial			3
09-Apr-20	Taxation	Substantial	1		
23-Feb-21	Data Security Risk	N/A			1
11-Aug-20	Controlled Use of Administrative Privileges	N/A		1	
23-Jun-20	File Server Security Risk	N/A		1	
29-Nov-19	Records Management Policy	N/A			4
Communities & Place					
13-Jul-20	Bus Station - Processes & Procedures	Limited		6	
16-Jan-20	Bereavement Services	Limited		3	
24-Sep-19	Catering 2019-20	Limited		1	
29-May-18	Markets	Limited		1	
30-Sep-20	Strategic Housing - Disabled Facilities Grants	Reasonable	1		4
22-Dec-20	Our City Our River - Contract Management	Reasonable	2		5
13-Feb-19	Bus Station Recharges	Reasonable		4	
10-Oct-19	CCTV - Access Control - Parking	N/A		4	
10-Oct-19	CCTV - Access Control - Public Protection	N/A		4	
		Totals	18	57	28

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

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

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

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Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Peoples						
Special Educational Needs - Action Plan		5	1			1
Deprivation of Liberty					2	
Billing for Home Care			1		1	1
Adult Learning Service - cultural change		1				
Leaving Care Payments						1
Business Intelligence						1
Corporate Resources						
Home Drive Security					3	
Coroner's Service				3		
Public Utilities Management		1	2			1
Agency Spend and Contract Monitoring					1	
Domain Accounts						2
Digital Channels - CRM						2
SIRO/Caldicott Guardian					1	
Land Charges Income						1
Delivering differently Project Management						2
Document Management & Network Printing					1	1
Insurance Valuation			1			
File Share Management						4
MTFP(Agile)					1	
Fixed Assets- S24 Capital Controls						1
Welfare Reform Reserve			2			
Creditors - Follow Up						1
Taxation			1			
Controlled Use of Administrative Privileges					1	
File Server Security Risk						1
Communities & Place						
Bus Station - Processes & Procedures				2	2	2
Bereavement Services				2		1
Catering 2019-20					1	
Markets						1
Strategic Housing - Disabled Facilities Grants		1				
Our City Our River - Contract Management		2				
Bus Station Recharges						4
CCTV - Access Control - Parking						4
CCTV - Access Control - Public Protection					4	
		10	8	7	18	32

It is the responsibility of the Head of Internal Audit to bring to this Committee's attention any recommendations where management actions have not been effectively implemented within a reasonable timeframe. It is suggested that the following timescales are introduced.

- Critical Risk and Significant Risk recommendations – where management's original action date is exceeded by over 3 months.
- Moderate Risk recommendations – where management's original action date is exceeded by over 6 months.
- Low Risk recommendations – where management's original action date is exceeded by over 12 months.

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Recommendations To Highlight to Committee	Moderate Risk				Significant Risk			
	3 Months <	3 - 6 Months	6 - 12 Months	12 Months >	3 Months <	3 - 6 Months	6 - 12 Months	12 Months >
Peoples								
Special Educational Needs - Action Plan		3	2					
Deprivation of Liberty		1	1					
Billing for Home Care	1							
Adult Learning Service - cultural change		1						
Corporate Resources								
Home Drive Security			3					
Coroner's Service								3
Public Utilities Management			1					
Agency Spend and Contract Monitoring			1					
SIRO/Caldicott Guardian		1						
Document Management & Network Printing				1				
MTFP(Agile)				1				
Controlled Use of Administrative Privileges		1						
Community & Place								
Bus Station - Processes & Procedures			2				2	
Bereavement Services							2	
Catering 2019-20				1				
Strategic Housing - Disabled Facilities Grants		1						
Our City Our River - Contract Management	2							
CCTV - Access Control - Public Protection				4				
	3	8	10	7			4	3

Highlighted Recommendations

The implementation of audit recommendations has been impacted by the Covid19 pandemic. The following update is provided for the Committee's information.

Significant Risk Recommendations (> 3 Months Overdue)

There are currently seven significant risk recommendations that are overdue for implementation; all seven of these currently exceed three months.

- Three relate to the audit review of the Coroner's Service. The Committee has received regular updates at previous Committee meetings from the Head of Democracy.
- Two relate to the Bus Station – Processes & Procedures audit. One concerns an issue that the toilet turnstiles did not record either the cash inserted or the number of users, therefore a reconciliation of the cash counted to amount that should have been collected could not be performed. The second concerns the control process designed around the daily cashing up and paying in process being poorly conceived and key control processes were not being performed in an appropriate manner. In both cases, a revised action date of 31st March 2021 has been agreed.
- Two relate to the Bereavement Services audit. The Head of Service - Trading Standards, Food and Safety, Bereavement Services and Building Consultancy provided Committee with an update on the progress with implementation of the recommendations at the meeting on 27th January 2021.

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Moderate Risk Recommendations (> 6 Months Overdue)

There are currently 28 moderate risk recommendations that are overdue for implementation. Seventeen of these exceed the original action date by 6 months. The table below outlines the current state on these 17 recommendations. The Chair and the Head of Internal Audit will advise the Committee at the meeting on any actions that need to be taken in respect of these recommendations.

Audit Review	No of Recs overdue	Original Action Date	Revised Date	Reason for Delay
Document Management & Network Printing	1	31/7/2019	31/10/2021	The transfer and full implementation of the actions has been paused due to COVID-19.
Agency Spend and Contract Monitoring	1	30/04/2020	31/07/2021	Further evidence is needed in support of the action as it is not clear as to whether the issue has been fully addressed.
MTFP	1	30/06/2019	30/06/2021	The Head of Internal Audit is currently liaising with the Director of Policy, Insight and Communications on the current relevance of this recommendation on Commercialisation.
CCTV - Access Control - Public Protection	4	31/10/2019	31/12/2020	A Corporate Project Board has been established to focus on all the issues raised in this audit. The Board has undertaken an audit of current DCC assets and is now working on a brief with an external provider to develop a co-ordinated DCC Strategy and Plan
Deprivation of Liberty	1	01/07/2020	30/04/2021	The progress in implementing the required actions has been slower than anticipated due to staff shortages, COVID pandemic responses and delays in implementation of a new electronic document management system.
Public Utilities Management	1	31/03/2020		A response has not been forthcoming from management despite frequent requests/chasing.
Catering 2019-20	1	31/03/2020	01/12/2020	This area has been subject to recent audit work (Leisure and Business Development).
Special Educational Needs - Action Plan	2	31/08/2020		A response has not been forthcoming from management

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Home Drive Security	3	01/08/2020	28/02/2021	Management have requested a revised action date due to other priorities that have prevented this work being scheduled in.
Bus Station - Processes & Procedures	2	31/08/2020	31/03/2021	The implementation of these two recommendations is tied in with the implementation of the two significant risk recommendations mentioned on the previous page.

Risk Accepted - Agency Spend and Contract Monitoring

Internal Audit has agreed with the manager concerned that one of the outstanding moderate risk recommendations arising from the audit can now be classified as risk accepted. (Note: One moderate risk is still outstanding – see above table)

The audit review had raised a control issue around payments to the supplier (contractor) not being made within the contractual payment terms and that invoices were not being adequately checked to ensure accuracy. The recommendation was that invoices are checked by the Council's Contract Manager to ensure the total cost is correct before they are paid. The process for paying the contractor should also be examined, to make the process more efficient and effective to ensure payments are made within the required terms of the contract.

The Manager has informed Internal Audit that there is still about a 50% hit rate, but where payments are late, the majority are just by one day. The service does not believe there are any actions they can do to improve it further. There is a call-off purchase order established and as soon as it's received it is checked and sent to Business Support for receipting. This general comes back within 24 hours and it is then sent to Accounts Payable for payment and it will be paid on the next available payment run. The problem is that the contractors payment terms are really tight due to the agency workers being paid weekly. The supplier has not raised any concerns over late payments.

Internal Audit have reviewed this and agree that there is nothing more the service can do other than accept the risk.

Low Risk Recommendations

There are currently 40 low risk recommendations that are overdue for implementation. Of these 40, 25 exceed 12 months, and in 22 of these cases Internal Audit has agreed a revised implementation date. Of the remaining three, two relate to Public Utilities Management where we have been unable to get a response from management and one relates to the Insurance Valuation of Heritage assets and Museum collections, again we are waiting on an update. None of these low risk recommendations are currently considered worthy of Committee's attention.