central midlands audit partnership

Derby City Council –
Internal Audit Progress Report
(Covering the period 1st March 2012 to 30th September 2012)

Audit & Accounts Committee: 31st October 2012

Our Vision

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

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C M
A P central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Derby City Council – Internal Audit Progress Report

1 Summary

Role of Internal Audit

The Internal Audit Service for Derby City Council is now provided by the Central Midlands Audit Partnership (CMAP). The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006). CMAP also adheres to the Internal Audit Terms of Reference.

The role of internal audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Recommendation Ranking

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

- Critical risk.
- Significant risk.
- Moderate risk
- Low risk.

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within

Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit & Accounts Committee together with the management responses as part of Internal Audit's reports to Committee on progress made against the Audit Plan. All audit reviews will contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. This will be graded as either:

- **None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

- **Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

- **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

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

This report rating will be determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. Any audits that receive a None or Limited assurance assessment will be highlighted to the Audit & Accounts Committee in Audit's progress reports.

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which these recommendations can be addressed. These matters are
still for management to determine.
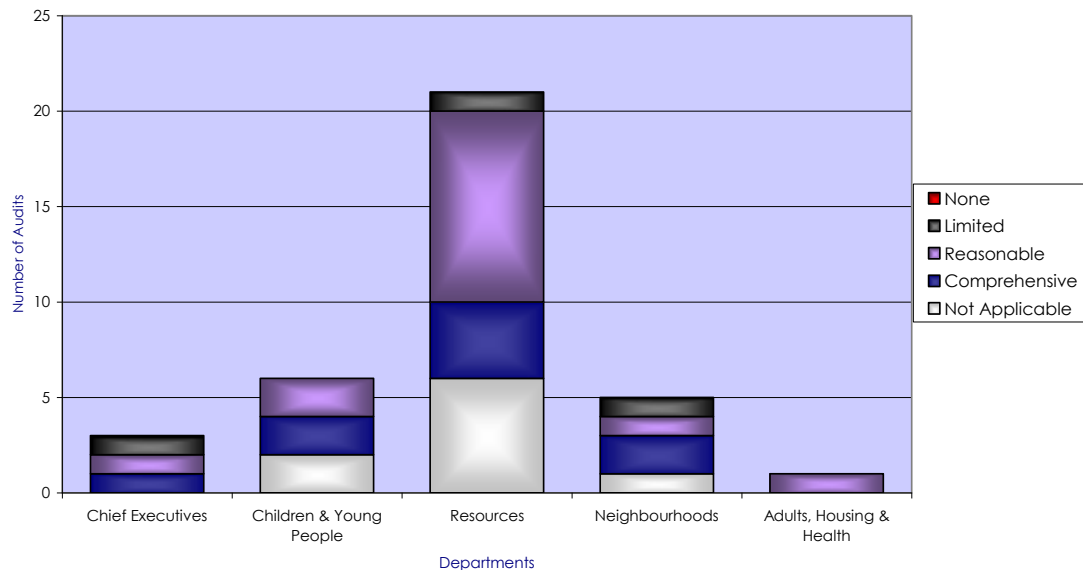
2 Audit Coverage

Audit Assignments

Between 1st March 2012 and 30th September 2012, Internal Audit has completed 36 audit assignments for Derby City Council as well as completing 8 School's Financial Value Standard reviews and 32 audit assignments for other organisations. The following Chart provides a summary of the control assurance we have provided on each assignment by Department.
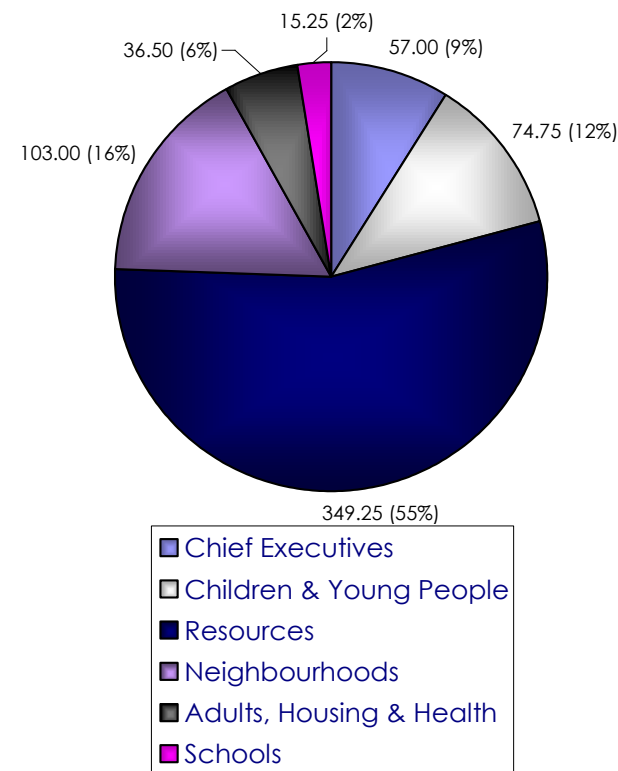
Audit Days

Between 1st March 2012 and 30th September 2012, Internal Audit has spent a total of 635.75 days on audit reviews within Derby City Council. The time spent in each Department can be broken down as follows:

Derby City Council – Internal Audit Progress Report

Derby City Council - Level of Control Assurance assigned to those Audits Completed between 1st March 2012 and 30th September 2012

Legend:
- None
- Limited
- Reasonable
- Comprehensive
- Not Applicable

Departments: Chief Executives, Children & Young People, Resources, Neighbourhoods, Adults, Housing & Health

Derby City Council - Days Spent in each Department between 1st March 2012 and 30th September 2012

- 15.25 (2%)
- 36.50 (6%)
- 57.00 (9%)
- 74.75 (12%)
- 103.00 (16%)
- 349.25 (55%)

- Chief Executives
- Children & Young People
- Resources
- Neighbourhoods
- Adults, Housing & Health
- Schools

As a general policy, all audits leading to a rating of "Limited" "None" will be brought to the Committee's specific attention. In the period, there have been 3 audits which have rated the overall control in the areas/services under review as Limited.

2 Audit Coverage (Cont.)

Summary of Completed Audit Assignments in March 2012

Job Name	Overall Control Assurance Rating	Recommendation Risk Ratings			
		Critical Risk	Significant Risk	Moderate Risk	Low Risk
Chief Executive's Office					

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One Derby One Council - Transformation Process 2011/12	Reasonable	0	0	1	0
Children & Young People					
Fostering & Adoption	Comprehensive	0	0	0	10
Resources					
Firewall & IDPS Management	Limited	0	3	2	3
Anti Fraud & Corruption Work 2011-12	N/A	0	0	0	0
Business Support Hub	Reasonable	0	0	4	8
Neighbourhoods					
Adults, Health & Housing					
Residential Care Charges	Reasonable	0	0	3	3
Total Recommendations Made		**0**	**3**	**10**	**24**

Members' attention should be specifically drawn to the "Limited" assurance rating given to the Firewall & IDPS Management assignment.

Summary of Completed Audit Assignments between 1st April 2012 and 30th September 2012

Job Name	Overall Control Assurance Rating	Recommendation Risk Ratings			
		Critical Risk	Significant Risk	Moderate Risk	Low Risk
Chief Executive's Office					
Tourist Information Centre	Limited	0	2	3	2
Economic Regeneration	Comprehensive	0	0	0	1
Adults, Health & Housing					

Derby City Council – Internal Audit Progress Report

2 Audit Coverage (Cont.)

Job Name	Overall Control Assurance Rating	Recommendation Risk Ratings			
		Critical Risk	Significant Risk	Moderate Risk	Low Risk
Children & Young People					
Safeguarding Children	Reasonable	0	0	4	7
PI Number of Common Assessment Frameworks Completed	Reasonable	0	0	0	3
Section 17 Payments	Comprehensive	0	0	0	3
Use of Website Chatroom	N/A	0	0	0	0
Resources					
e-Forms (Payroll)	Reasonable	0	0	1	3
Main Accounting 2011-12	Comprehensive	0	0	0	7
Accounts Payable 2011-12	Reasonable	0	1	1	1
Payroll 2011-12	Reasonable	0	0	1	4
NNDR 2011-12	Comprehensive	0	0	0	5
Council Tax 2011-12	Comprehensive	0	0	0	2
Cashiers 2011-12	Reasonable	0	0	1	4
Treasury Management 2011-12	Reasonable	0	1	3	0
Debtors 2011-12	Reasonable	0	0	3	7
Teachers Pension Return TR17 2011-12	Comprehensive	0	0	0	0
Housing & Council Tax Benefit	Reasonable	0	0	3	1
PI Derby Direct – Corporate Complaints	Reasonable	0	0	1	3
Use of Credit Card	Reasonable	0	0	0	3
Use of Email	N/A	0	0	0	0
Neighbourhoods					
Health & Safety	Comprehensive	0	0	0	6
Licensing	Reasonable	0	0	1	8
6C Derby Housing Market Area Growth Fund	N/A	0	0	0	0
Box Office	Limited	0	0	2	3
Carbon Reduction Commitment	Comprehensive	0	0	0	3
Total Recommendations Made		**0**	**4**	**24**	**77**

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Members' attention should be specifically drawn to the 'Limited' assurance rating given to the Box Office and Tourist Information Centre assignments.

2 Audit Coverage (Cont.)

Further Details of Completed Audit Assignments

Introduction

The following summarises the internal audit work completed in the period from 1st March 2012 to 30th September 2012 and seeks to highlight issues which Committee may wish to review in more detail at the next meeting.

Chief Executive's Office

One Derby One Council – Transformation Process 2011-12

The audit involvement in the One Derby One Council programme has been focussed on areas where process changes had the potential to impact on the control environment. We ensured a consistency of approach – in particular the role of "Business Requirement Documents". We acted as a "critical friend" in the development of the new blue badge application process and the transition from the old system and also in the initial process mapping for the Lagan customer relationship management (CRM) system. We reviewed and advised on the revised procedures relating to cash handling and resolving customer queries when the payment kiosks were introduced at Albion Street. We advised on revisions to the format and content of the programme Risk and Issue Logs and attended the EDRMS Project Board.

Tourist Information Centre

Accounting reconciliations identified that an amount of Tourist Information Centre takings had not been banked. We concluded that it was most likely that the takings had been stolen, but weaknesses in control meant that it would be difficult to prove that. All 5 of the control weaknesses identified by this assignment were accepted and positive action had already been taken to address 3 issues, another 3 had been agreed to be addressed by 1st October 2012 and the remaining issue

Economic Regeneration

This audit focused on reviewing how the economic regeneration monies were being spent and ensuring there was a sound process for allocating funding to projects and development work. From the 21 key controls evaluated in this audit review, 19 were considered to provide adequate control and 2 contained weaknesses. The control weakness raised within this report was accepted and positive action was agreed to be taken to address the recommendation by 30th September 2012.

Children & Young People

Fostering & Adoption

This audit focused on evaluating the adequacy of the systems in place for processing payments for delivering foster care services. From the 23 key controls evaluated in this audit review, 13 were considered to provide adequate control and 10 contained weaknesses. All 10 of the control issues raised within this report were accepted and positive action in respect of 9 of the weaknesses was to be completed by the 31st August 2012; the remaining 1 to be completed by 31st December 2012.

Safeguarding Children

This audit focused on the framework of responsibilities in place to ensure the operational delivery of the Council's strategic approach to Safeguarding. From the 13 key controls evaluated in this audit review, 3 were considered to provide adequate control and 10 contained weaknesses. All 11 of the control issues raised within this report were accepted and positive action in respect of 1 of the recommendation was to be completed by 31st August 2012 and the remaining 10 were to be completed by 31st January 2013.

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was to be addressed by 1st December 2012.

2 Audit Coverage (Cont.)

Further Details of Completed Audit Assignments

Children & Young People (Cont.)

PI Number of Common Assessment Frameworks Completed

This audit focused on reviewing the key controls of the performance management system for the performance indicator on the "Number of Common Assessment Frameworks Completed" with a view to providing assurance that systems were operating effectively and that the performance had been accurately calculated and reported. From the 17 key controls evaluated in this audit review, 6 were considered to provide adequate control and 11 contained weaknesses. All of the control issues raised within this report were accepted and positive action had already been taken to address all 3 recommendations.

Use of Website Chat Room

The IT Manager for a gardening website reported to the Council that their chat room, where you can be connected to a member a staff, had been subjected to offensive messages emanating from 2 IP addresses that were registered to Derby City Council. Internal Audit was able to confirm that the IP addresses came from the Council's schools network. We liaised with the 3rd party provider of the schools network to immediately have the website blocked from all schools to prevent further offensive messages being sent. We determined which school the messages originated from and informed the IT Manager at the school and the Council's Schools ICT team for them to investigate further.

Resources

Firewall & IDPS Management

This audit focused on the administration and management of the Firewall

device is controlled. From the 59 key controls evaluated in this audit review, 36 were considered to provide adequate control and 23 contained weaknesses. All 8 of the control issues raised within this report were accepted and positive action in respect of all recommendations was to be completed by 1st October 2012.

Council Tax 2011-12

This audit focused on the controls in place around the billing and recovery processes. Testing of the billing included the use of the external printing contractor and the mailing of the bills. Testing of recovery considered the timeliness and completeness of the recovery process. From the 39 key controls evaluated in this audit review, 37 were considered to provide adequate control and 2 contained weaknesses. All of the control weaknesses raised within this report were accepted and positive action was to be taken to address both of the recommendations by 1st June 2012.

Accounts Payable 2011-12

This audit focused on ensuring that the Accounts Payable function is governed by appropriate policies and procedures and that appropriate orders are completed, authorised and issued in accordance with Financial Procedure Rules. It also sought to ensure that adequate controls are in place surrounding the input, processing and authorisation of invoices for payment and that sensitive data is restricted to authorised users. From the 28 key controls evaluated in this audit review, 23 were considered to provide adequate control and 5 contained weaknesses. All 3 of the control issues raised within this report have been accepted and positive action will be taken to address all the issues raised by

and Intrusion Detection and Prevention System (IDPS) module, concentrating on how the device alerts management to incidents and how staff responds to these. We also looked into how access to the

November 2012.

2 Audit Coverage (Cont.)

Further Details of Completed Audit Assignments

Resources (Cont.)

Business Support Hub

This audit considered the procedures and processes in place within the 3 hubs and focused on the elements that had a financial value. Checks were undertaken on samples of transactions to source documents. From the 35 key controls evaluated in this audit review, 29 were considered to provide adequate control and 6 contained weaknesses. All 12 of the control issues within this report were accepted and positive action was to be taken to address 11 of the issues by 31st August and by 28th February 2013 for the remaining control.

e-Forms (Payroll)

This audit focused on the Council's use of e-forms for making payroll payments and to inform the future use of e-forms. From the 22 key controls evaluated in this audit review, 15 were considered to provide adequate control and 7 contained weaknesses. All 4 of the control issues raised within this report were accepted and positive action had already been taken to address 3 recommendations. Action was to be taken to address the remaining issue by 1st June 2012.

NNDR 2011-12

This audit focused on reviewing the billing, collections and refunds for business rates. In addition, controls around the processing of levy charges and refunds associated with the Business Improvement Districts (BID) in Derby were also reviewed at the request of management. From the 33

determined. This was due to the prolonged absence of the Senior Cashier who needed to be consulted on the processes in place before suitable actions could be identified and implemented. Internal Audit have agreed with management to revisit these outstanding recommendations at a later date, to allow time for the Senior Cashier to return to work, or to allow her colleagues to improve their knowledge on the relevant processes. Accordingly, Internal Audit intends to follow-up these 2 recommendations at the start of October 2012.

Treasury Management 2011-12

This audit focused on evaluating controls over the operations and activities of the Treasury Management function, including review of policies and procedures, fraud prevention measures, security of data and reporting arrangements. From the 59 key controls evaluated in this audit review, 55 were considered to provide adequate control and 4 contained weaknesses. All 4 of the control issues raised within this report were accepted and positive action was to be taken to address the issues raised by 31st May 2012.

Debtors 2011-12

This audit focused on evaluating the adequacy of the systems in place for generating debtor accounts, processing transactions and ensuring these were properly recorded and accounted for. From the 36 key controls evaluated in this audit review, 23 were considered to provide adequate control and 13 contained weaknesses. All 10 of the control issues raised within this report were accepted and positive action in

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key controls evaluated in this audit review, 24 were considered to provide adequate control and 9 contained weaknesses. All of the control weaknesses raised within this report were accepted and positive action had already been taken to address 3 of the recommendations. Actions in relation to the other 2 recommendations had not been fully

respect of 2 was to be completed by 31st July 2012, another 6 by 30th September 2012, with the remaining 2 to be completed by 30th October 2012.

2 Audit Coverage (Cont.)

Further Details of Completed Audit Assignments

Resources (Cont.)

Main Accounting 2011-12

This audit focused on ensuring that policies and procedures had been established in all areas of the Accountancy function. It also sought to ensure that suspense accounts were reviewed and that, once identified, monies were allocated on a regular basis. The audit also reviewed key reconciliations to ensure they were carried out on a regular basis, with reconciling items cleared and that the reconciliation was subject to an independent review. Finally, it sought to ensure that there was a robust system in place which allowed revenue budget monitoring to take place effectively and on a regular basis. From the 26 key controls evaluated in this audit review, 13 were considered to provide adequate control and 13 contained weaknesses. All 7 of the control issues raised within this report were accepted and positive action was to be taken to address 4 issues by 30th September 2012, another 1 by 31st October 2012 and the remaining 2 by 30th November 2012.

Anti Fraud & Corruption Work 2011-12

Work continued on the NFI matches produced from the data submissions made in October 2010. Some reports were cleared in their entirety, whereas in other cases, teams concentrated on matches identified by the Audit Commission as high risk cases. Where the Audit Commission set

in Autumn 2011. Matches from these files were due to be examined during 2012/13. Internal Data Matching continued and was refined during 2011/12. 7139 data matches were produced, from which 2098 matches were examined. From these, £19,161.59 was identified for recovery, with other outstanding queries from the previous years work recovering a further £8,463.56.

Cashiers 2011-12

This audit focused on the Cashiers back office function including the Banking and Sundry Payments Account reconciliations and the security of these electronic documents. From the 16 key controls evaluated in this audit review, 9 were considered to provide adequate control and 7 contained weaknesses. All 5 of the control issues raised within this report were accepted and positive action had already been taken to address 4 recommendations. Action was to be taken to address the remaining issue by 31st May 2012.

Housing & Council Tax Benefit

This audit focused on establishing and recording the actual controls in operation in respect of the administration, assessment and calculation of Benefit. Compliance tests were undertaken and Security of Data was also assessed. Emphasis was placed on ensuring that an accurate subsidy claim is submitted, minimising losses through identified and

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no requirement for responses, a 10% sample was checked. The majority of matches which were selected for resolution have now been cleared, although some of the Housing Benefit matches, due to the nature of the enquiries, are still ongoing. The exercise has identified 4 frauds and resulted in £58,865.81 being clawed back in overpaid housing and council tax benefit. A further set of data extracts relating to Council Tax cases with single occupier discount and the Electoral Roll were submitted

extrapolated LA error. From the 63 key controls evaluated in this audit review, 58 were considered to provide adequate control and 5 contained weaknesses. All 4 of the control issues raised within this report were accepted and positive action in respect of 1 was to be completed by 31st August 2012, another 1 by 30th September 2012, with the remaining 2 to be completed by 31st October 2012.

2 Audit Coverage (Cont.)

Further Details of Completed Audit Assignments

Resources (Cont.)

Use of Email

We were asked to review the mailbox and mail archives of an employee to determine whether there was evidence of inappropriate and offensive email activity from this user, after an inappropriate email had been reported to the user's line manager. We found indications of significant personal use of the email system, including some inappropriate content. The investigating HR officers were informed of the findings and reviewed a sample of the emails we had identified.

Payroll

This audit focused on variations to pay and the approvals required to support these, CHAPS payments and redundancy calculations. From the 18 key controls evaluated in this audit review, 11 were considered to provide adequate control and 7 contained weaknesses. All 5 of the control issues raised within this report were accepted and positive action had already been taken to address 4 recommendations. Action was to be taken to address the remaining issue by 1st September 2012.

PI Derby Direct – Corporate Complaints

This audit focused on reviewing the key controls within the management

Use of Credit Card

The corporate credit card of an officer who left the Council had been used fraudulently during the period while the card was held securely pending cancellation. The identity of the perpetrator of the fraud was held by the companies that were defrauded, but they were unwilling to release this information because of data protection concerns. The Council's bank has subsequently reversed the transactions, therefore the Council has not suffered a loss. All 3 of the control weaknesses identified by this assignment were accepted and positive action had already been taken to address 1 issue, another was to be addressed by 30th September 2012 with the remaining issue by 31st October 2012.

Teachers Pension Return TR17 2011-12

The Chief Finance Officer is required to certify that the entries made in Part B of the annual TR17 Teachers' Pensions Return are correctly calculated and paid. Part B of the return is in respect of teachers whose salary payments are administered other than directly through the LA payroll. Through undertaking a series of tests, we provide assurance that the entries on the return accurately reflect the deductions made and remitted. Under the Council's managed audit arrangements, External Audit was able to place total reliance our work.

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system for the production of performance indicators on customer complaints with a view to providing assurance that systems were operating effectively and that the performance had been accurately calculated and reported. From the 17 key controls evaluated in this audit review, 6 were considered to provide adequate control and 11 contained weaknesses. All 4 of the control issues raised within this report were accepted and positive action in respect of 1 was to be completed by 31st August 2012, another 1 by 30th September 2012, with the remaining 2 to be completed by 31st October 2012.

Adults, Health & Housing

Residential Care Charges

This audit focused on the operation of controls over the procedure for residential care charges incorporating payments to private sector care homes. From the 35 key controls evaluated in this audit review, 28 were considered to provide adequate control and 7 contained weaknesses. All 6 of the control issues raised within this report were accepted and positive action was to be taken to address them by 29th June 2012.

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2 Audit Coverage (Cont.)

Further Details of Completed Audit Assignments

Neighbourhoods

Health & Safety

This audit focused on ensuring that the Council is operating in accordance with Health & Safety legislation (Health & Safety at Work Act 1974) and that the corporate profile of Health & Safety is awarded sufficient priority throughout the Council. It also sought to ensure that Health & Safety training is delivered to employees and that routine, departmental inspection and audits are carried out on a regular basis. From the 45 key controls evaluated in this audit review, 38 were considered to provide adequate control and 7 contained weaknesses. All 6 of the control issues raised within this report were accepted and positive action was to be taken to address all the issues raised. Action was to be taken by the 30th June 2012 to address 5 recommendations with the 1 remaining recommendation being addressed by March 2013.

Box Office

Internal Audit was asked to investigate the circumstances surrounding a cash discrepancy. We were unable to determine with any certainty when or how the loss occurred or who was responsible for the loss. During our investigation we noted a number of control weakness which directly contributed to us not been able to reach a conclusion. All 5 of the control issues raised within this report were accepted and positive action had already been taken to address 1 issue. Action was agreed to be taken to address the remaining 4 issues by the end of July 2012.

Licensing

This audit focused on the appropriateness and adequacy of controls in place surrounding the issue of Alcohol and Taxi Licences and Notices,

premises, persons and vehicles. From the 40 key controls evaluated in this audit review, 31 were considered to provide adequate control and 9 contained weaknesses. All 9 of the control issues raised within this report were accepted and positive action was to be taken to address the issues raised by 31st March 2013.

6C Derby Housing Market Area (HMA) Growth Fund

Internal Audit reviewed the Derby HMA Growth Fund Grant element from the wider 6CS partnership allocation. The 6Cs partnership is comprised 3 HMAs drawn from the cities and counties of Derby, Nottingham and Leicester. We were required to examine the expenditure incurred for projects across the three Councils under the Derby HMA. We reviewed all 2011-12 expenditure relating to 28 projects across Derby City Council, Amber Valley BC and South Derbyshire DC and provided a positive declaration to the Accountable Body.

Carbon Reduction Commitment

The Energy Team Leader sought advice from Internal Audit on their choices for Account Representatives, on the suitability of the standard pro-forma they intended to use to purchase CRC allowances, the security of key CRC spreadsheets (relating to previous audit recommendations) and the necessity and content of future audits. All 3 of the control issues raised within this report were accepted. Action was to be taken to address 1 issue by 30th September 2012, another 1 by 21st December 2012 and the remaining issue by 31st January 2013.

collection and banking of income and the inspection of licensed

3 Audit Performance

Customer Satisfaction
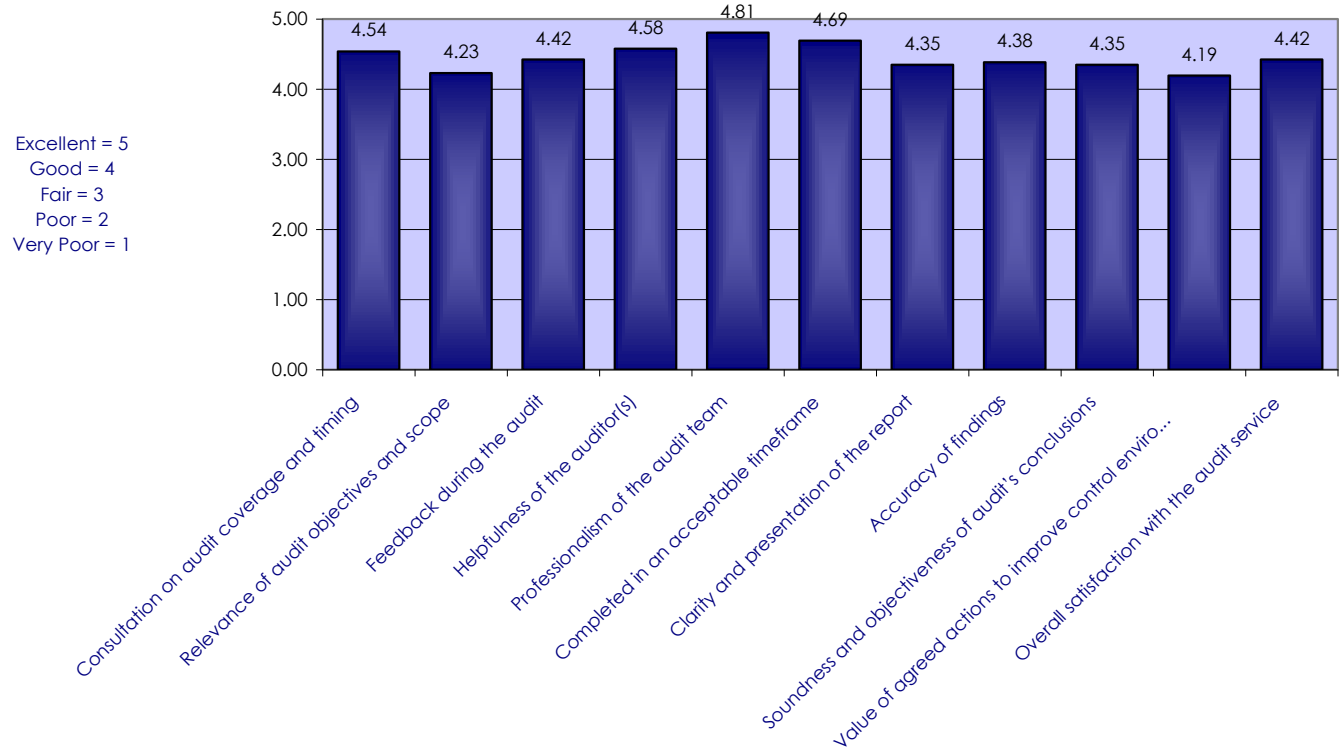
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The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. The table opposite summarises the average score for each category from the 26 responses received between 1st March 2012 and 30th September 2012. The average score from the surveys was 48.96 out of 55. The lowest score received from a survey was 39, while the highest was 55, which was achieved on 5 occasions.

The overall responses are graded as either:

- Excellent (scores 46 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

Overall 18 of 26 responses categorised the audit service they received as excellent; the other 8 response categorised the audit as good. There were no responses that fell into the fair, poor or very poor categories.

Excellent = 5
Good = 4
Fair = 3
Poor = 2
Very Poor = 1

Derby City Council - Customer Satisfaction Survey Results between 1st March 2012 and 30th September 2012

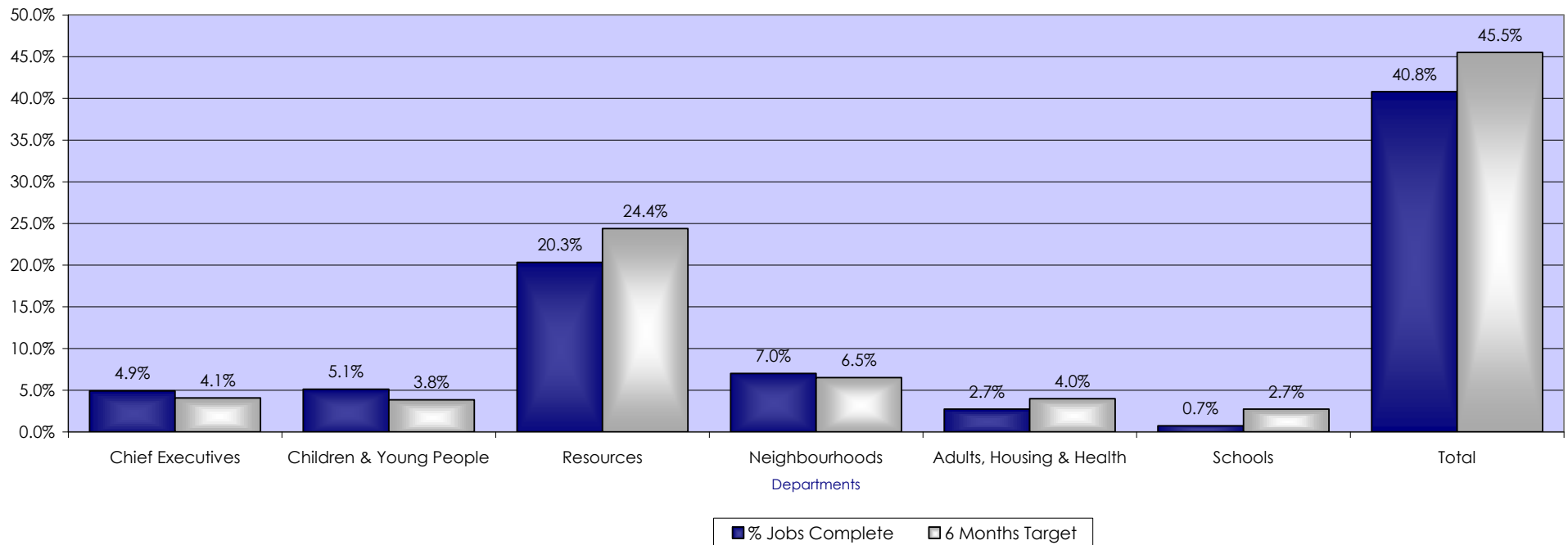| Category	Score
Consultation on audit coverage and timing	4.54
Relevance of audit objectives and scope	4.23
Feedback during the audit	4.42
Helpfulness of the auditor(s)	4.58
Professionalism of the audit team	4.81
Completed in an acceptable timeframe	4.69
Clarity and presentation of the report	4.35
Accuracy of findings	4.38
Soundness and objectiveness of audit's conclusions	4.35
Value of agreed actions to improve control enviro...	4.19
Overall satisfaction with the audit service	4.42

3 Audit Performance (Cont.)

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Audit Plan Completed

This performance measure is calculated by determining the completeness of each audit assignment included in the revised Annual Audit Plan. Each month each auditor is asked to provide an estimate of their progress on all of their audit assignments. A fixed percentage is applied to those assignments that have progressed beyond the fieldwork stage. Each audit assignment is weighted in accordance with the number of days allocated. The target plan completion at the year-end is 91%. The chart below shows our Service Delivery performance after 6 months of the Audit Plan.

Derby City Council - Revised Audit Plan - Percentage Complete in Jobs Delivered after 6 Months

Department	% Jobs Complete	6 Months Target
Chief Executives	4.9%	4.1%
Children & Young People	5.1%	3.8%
Resources	20.3%	24.4%
Neighbourhoods	7.0%	6.5%
Adults, Housing & Health	2.7%	4.0%
Schools	0.7%	2.7%
Total	40.8%	45.5%

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4 Recommendation Tracking

Follow-up Process

Internal Audit has sent emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We will request an update on each recommendation's implementation status, which will be fed back into the database, along with any revised implementation dates.

Prior to the Audit & Accounts Committee meeting we have provided Chief Officers with details of each of the recommendations made to their departments which have yet to be implemented. This is intended to give them an opportunity to provide Audit with an update position.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **Blank (Due)** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Blank (Not Due)** = Action is not due yet, so Audit has not followed up.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date)

Implementation Status

Reports to Committee are intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations made between 1st December 2010 and 31st May 2012.

We have not included the recommendations made in audit reports issued since 1 March 2012. This is to allow time for recommendations to have reached their agreed implementation dates.

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- **Not Implemented** = Management has decided, on reflection, not to implement the agreed actions.

Derby City Council - Action Status of Recommendations made between 1st Dec 2010 and 31st May 2012
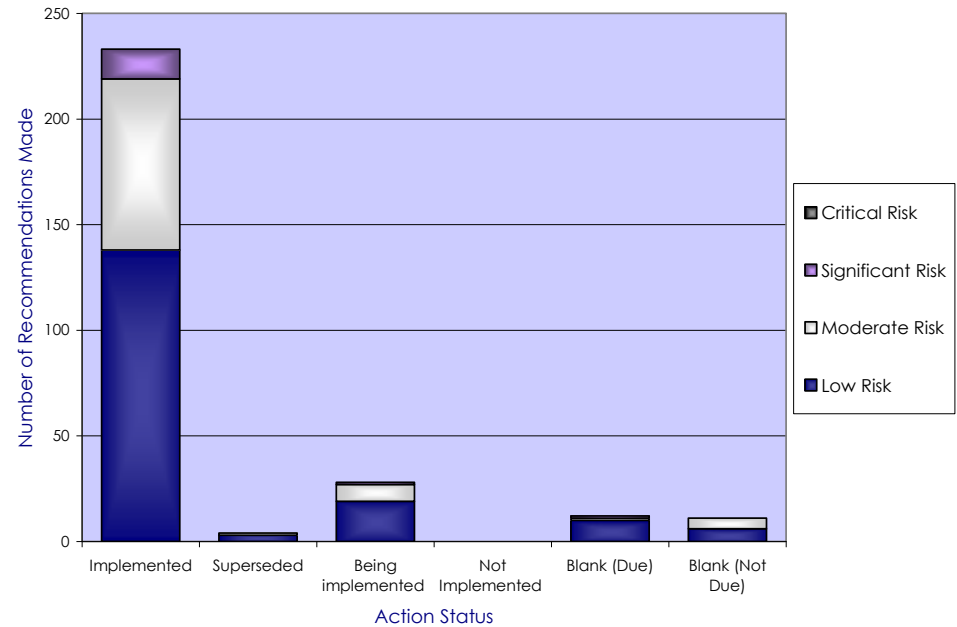
## 4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented

The Terms of Reference of the Audit & Accounts Committee requires that it considers a report from internal audit on agreed recommendations not implemented within a reasonable timescale. Accordingly, the following chart provides a summary, by Department, of those recommendations not yet implemented.

Resources

Debtors 2010-11

Control Issue - Revised debt collection procedures had not been

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Derby City Council - Recommendations Not Yet Implemented from period
1st December 2010 to 31st May 2012
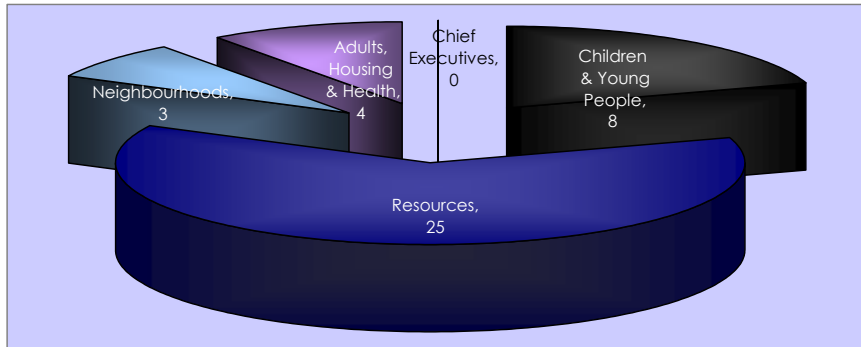
Further details of each individual recommendation are also provided for members to determine whether they consider further actions are required to secure implementation or whether officers should be required to provide the committee with more detailed explanations of the action status.

formally approved and implemented. **Risk Rating – Low Risk.**

Status Update – Draft presented to Controls Board on 5 October 2012. Comments were due back by 19 October.

Original Action Date	31 Dec 11	Revised Action Date	25 Aug 12

Payroll 2010-11

Control Issue - The Bi-Web hummingbird system does not log failed log-on attempts and the system does not remove unauthorised users from the system after a pre-determined number of unsuccessful log-on attempts. **Risk Rating – Low Risk.**

Status Update - No nearer with the new system. Not written a spec yet. H Parry doesn't expect that this will happen before 31/3/13.

Original Action Date	1 Apr 12	Revised Action Date	31 Mar 13

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Resources (Cont.)

Grant Certification Issues

Control Issue - Grant funding activities were not governed by a

Email Operations Health Check

Control Issue - There was an excessive number of people who had been

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corporate policy or procedural guidance and the Grants Register contained insufficient detail and was not being actively managed. The knowledge of some project officers with operational responsibility for grants was limited and they had received insufficient training and support from Accountancy. **Risk Rating – Moderate Risk.**

Status Update – None.

Original Action Date   30 Apr 12   Revised Action Date   None

Email Operations Health Check

Control Issue - From a sample of group mailboxes audited, we found access to mailboxes that received highly sensitive data was not always restricted to authorized users only, often access control lists were still granting access to employees who have moved job roles or even departments months and sometimes years before. **Risk Rating – Significant Risk.**

Status Update - None.

Original Action Date   1 Apr 12   Revised Action Date   None

granted full mailbox access and 'send as' permissions to corporate mailboxes. **Risk Rating – Low Risk.**

Status Update - None.

Original Action Date   1 Apr 12   Revised Action Date   None

Fixed Assets 2010-11

Control Issue - There was not a robust system in place, with clearly defined lines of reporting between the Estates, Legal and Corporate Accountancy departments, to ensure Corporate Accountancy were kept informed of all land and building acquisitions and disposals. **Risk Rating – Significant Risk.**

Status Update - A series of flowcharts setting out the processes to follow for the sale and acquisition of land and buildings has been put together, and approved by the Strategic Asset Management Board. However, work has not progressed on the areas of vehicles, plant and equipment. There is difficulty in identifying a resource to progress this issue and I am in discussion with Finance as to how best to progress this and to understand the key issues that need to be resolved. CD 13/07/2012.

Original Action Date   31 Mar 12   Revised Action Date   31 Oct 12

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Resources (Cont.)

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Main Accounting System 2010-11

Control Issue - Budget holders were over reliant on the finance teams for production of their budget report, such that they were not able to query the system for budget reports independently and routinely. **Risk Rating – Low Risk.**

Status Update - Update 3 Feb 2012 -The detailed training programme has temporarily been deferred whilst Accountancy are waiting for the introduction of the Oracle Business Intelligence System which is currently in procurement. This software is designed to support the Council's self service model and will enable budget managers to run reports without the support of accountancy staff. In the short term, accountancy will continue to work closely with budget managers to develop less reliance on the service with particular emphasis on the need to monitor budgets line by line. Longer term, the detailed training programme will be carried out following the introduction of the Oracle Business Intelligence System which is currently in procurement

Original Action Date   31 Dec 11   Revised Action Date   30 Nov 12

Control Issue - Budgets were not being reviewed on a line by line basis resulting in large variances between actual spend and the budget provision **Risk Rating – Moderate Risk.**

Status Update – As 3 Feb 2012 update above.

Original Action Date   31 Dec 11   Revised Action Date   30 Nov 12

Cashiers 2011-12

Control Issue - Not all the formulae contained in worksheet cells of the Sundry Payment account and Banking Reconciliations had been password protected. Also, the password protecting the spreadsheets was known by an officer who completed the reconciliation spreadsheets and had access to cash collections.

Risk Rating – Low Risk.

Status Update - None.

Original Action Date   31 May 12   Revised Action Date   31 Dec 12

Treasury Management 2011-12

Control Issue - The reporting facility on 'FD Online' was under developed. For example, management reports were not available to demonstrate that only authorised fob holders had placed transactions and that transactions made had been within authorised limits.

Risk Rating – Moderate Risk.

Status Update - Bank hope to provide this facility by the end of the year - however they do not say whether they mean calendar or financial year.

Original Action Date   31 May 12   Revised Action Date   31 Jan 13

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4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Resources (Cont.)

Network Security – Password Audit
Control Issue - There was no up-to-date record of which domain accounts were service accounts, and there was no group policy in place to deny interactive logon for such accounts. Such accounts are prime targets for attack due to the fact they are exempt from password expiry, and the fact the password gets cached on servers and workstations. **Risk Rating – Low Risk**. Status Update - Domain service accounts. IN PROCESS. Documentation built as part of project account migration - 140 applications, old user accounts. Change control procedure now in place to approve creation of service accounts. Group policy object created to enforce non-interactive login for service accounts belonging to the service account group. Original Action Date   1 Dec 11   Revised Action Date   31 Jan 13
Control Issue - A corporate password policy had not been defined, documented and implemented for all passwords and technologies used within the Council's infrastructure and applications. **Risk Rating – Moderate Risk.** Status Update – 30 Aug 2012 - A draft is going through CJC.

Network Security – Password Audit
Control Issue - 1169 domain accounts were found to be exempt from the domain password policy around password expiry. Therefore such accounts could potentially remain unchanged over a number of years. **Risk Rating – Low Risk.** Status Update - Password audit. IN PROCESS. Majority of service accounts with non-expiring passwords now made "non-interactive" so they can only be used by the service rather than as a user login. A new AD has been designed, with the exemptions to be included in the remediation work. Original Action Date   1 Oct 11   Revised Action Date   31 Jan 13
Control Issue - There were numerous accessible BKF and BAK files openly accessible to the domain user and everyone groups. These files could be restored to obtain password hashes which in turn could be cracked to obtain administrative passwords across the Network. **Risk Rating – Moderate Risk.** Status Update - KF and BAK files. ONGOING - Awaiting completion of the file server migration project to decommission remaining Backup.Exec servers, file servers moving to the more secure Netbackup system. Original Action Date   1 Dec 11   Revised Action Date   31 Jan 13

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Original Action Date	1 Jul 11	Revised Action Date	31 Jan 13

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Resources (Cont.)

Business Support Hub

Control Issue – Financial Procedure Rule F1.3 which stated that only the Strategic Director - Resources can supply receipts and tickets, was being ignored as departments arranged their own supplies of controlled stationery none of which were in a standard format.

Risk Rating – Moderate Risk.

Status Update - Controls Board discussed this on the 5th October and it was agreed that responsibility for the ordering, control and issuing of all stationery which has an actual financial implication to the authority should be changed from Customer Management to Business Support. This has not, as yet, been included in the Resources Scheme of Delegation however Business Support will commence the review of any current contracts and work with procurement on future provision and resources. Date to Commence project 31 Oct 12

Original Action Date	30 Apr 12	Revised Action Date	30 Jun 13

Control Issue – Each department was ordering, storing and controlling the issue of financial stationery in a different way.

Risk Rating – Low Risk.

Status Update – Will be done as part of project due for completion 30

Business Support Hub

Control Issue – Council departments were ordering and carrying their own supplies of receipts and tickets, which had led to many different variations being in circulation.

Risk Rating – Low Risk.

Status Update – Controls Board agreed BS should assume responsibility on 5th October (although Resources SoD yet top be updated). Business Support will commence a project to identify all receipts, tickets currently in use for all services transferring to the council house. BS will contact the Payments Project Lead to obtain the results of the findings of the project in terms of identifying all income streams. Action Date: BS to contact Payment Projects Board and obtain findings 31 Oct 12

Original Action Date	31 Aug 12	Revised Action Date	30 Jun 12

Control Issue – Departmental officers were not aware that they should not have been ordering their own supplies of receipts and tickets without the Strategic Director – Resources approval

Risk Rating – Low Risk.

Status Update – Will be done as part of project due for completion 30

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Jun 13.					Jun 13.				
Original Action Date	31 Aug 12	Revised Action Date	30 Jun 13		Original Action Date	31 May 12	Revised Action Date	30 Jun 13

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Resources (Cont.)

Business Support Hub
Control Issue – As departments were obtaining their own versions of controlled stationery directly from printing companies, the Strategic Director - Resources was not aware of the different types of financial stationery held within departments.
Risk Rating – Moderate Risk.
Status Update – Will be done as part of project due for completion 30 Jun 13.
Original Action Date   31 Aug 12   Revised Action Date   30 Jun 13

Control Issue – The detailed procedures for recording all controlled financial stationery in an appropriate stock register had not been finalised.

Risk Rating – Low Risk.

Status Update - These recommendations will form part of the Controlled Stationary procedure once responsibility is delegated to Business Support.

Procedure will be written by 30 Mar 12 and project complete by 30 Jun

Business Support Hub
Control Issue – Departments were not maintaining adequate stock records of the financial stationery held in their care.
Risk Rating – Low Risk.
Status Update – These recommendations will form part of the Controlled Stationary procedure due for completion 31 Mar 13.
For stock transferred from Albion Street (receipt books) this procedure is already in place. Bulk issue of Controlled Stationery no longer occurs and only issues to authorised individuals as verified by relevant Head of Service - ACTION PARTIALLY COMPLETE.
Original Action Date   31 Aug 12   Revised Action Date   30 Jun 13

Control Issue – The procedures for receiving new financial stationery into stock had not been formalised.

Risk Rating – Low Risk.

Status Update – These recommendations will form part of the Controlled Stationary procedure once responsibility is delegated to Business

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13.

Original Action Date   31 Aug 12   Revised Action Date   30 Jun 13

Support.

Procedure will be written by 30 Mar 12 and project complete by 30 Jun 13.

Original Action Date   31 Aug 12   Revised Action Date   30 Jun 13

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Resources (Cont.)

Business Support Hub
Control Issue – There was no monitoring of the use or misuse of official receipts.
Risk Rating – Low Risk.
Status Update – For receipt books stocks transferred from Albion St this is already happening and previous receipt books are checked prior to issue.
Original Action Date   31 Aug 12   Revised Action Date   30 Jun 13

Control Issue – There was no independent check of the stocks of financial stationery held by the Business Support Manager

Risk Rating – Low Risk.

Status Update – These recommendations will form part of the Controlled Stationary procedure due for completion 31 Mar 12 and project complete 30 Jun 13

Business Support Hub
Control Issue – Receipt pads were being issued to officers who had not necessarily been authorised by their manager to have them.
Risk Rating – Moderate Risk.
Status Update – For Receipt books transferred from Albion St - ACTION COMPLETE. (Procedure in place for the issue of controlled stationery and being used for all controlled stationery stock transferred from Albion St).
Original Action Date   31 Aug 12   Revised Action Date   30 Jun 13

Children & Young People

Fostering & Adoption
Control Issue – Remittance advice notices were being produced and despatched by both the Accounts Payable and the Softbox IT system increasing the potential for confusion and queries.

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Remaining Receipt book stock held at Albion St has already transferred to Roman House - ACTION COMPLETE.

Original Action Date   31 Aug 12   Revised Action Date   30 Jun 13

Risk Rating – Low Risk.

Status Update - None

Original Action Date   31 Aug 12   Revised Action Date

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Children & Young People (Cont.)

Fostering & Adoption

Control Issue – There was not a standard protocol in place for obtaining and verifying the bank account details into which the foster care allowances would be paid and the current process was convoluted and generated a disproportionate paper trail.

Risk Rating – Low Risk.

Status Update - None

Original Action Date   31 Aug 12   Revised Action Date

Control Issue – Notification of changes to the foster carer details were not recorded in a standard format. There were various forms and emails being generated creating a convoluted and adhoc approach to ensuring all amendments were appropriately authorised and filed.

Risk Rating – Low Risk.

Status Update - None

Fostering & Adoption

Control Issue – The procedure for recording, calculating and recovering overpayments had not been formally recorded resulting in:

· The overpayments report generated by the Softbox IT system overstating the amounts that had been overpaid.

· Inadequate narratives being recorded in the Softbox IT system leading to a lack of an audit trail.

Risk Rating – Low Risk.

Status Update - None

Original Action Date   31 Aug 12   Revised Action Date

Control Issue – Overpayments of fostering allowances considered to be irrecoverable were being written off as bad debts on the authorisation of a Service Manager which contravened the Council's Financial Regulations that Chief Officers were responsible for approving write-offs up to a value of £10k.

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Original Action Date 31 Aug 12 Revised Action Date	**Risk Rating – Low Risk.** Status Update - None Original Action Date 31 Aug 12 Revised Action Date

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Children & Young People (Cont.)

Fostering & Adoption
Control Issue – Payments had been processed via the imprest account and charged to the Fostering Allowances budget code, but had not been recorded in the Softbox IT system to update the foster carer account. **Risk Rating – Low Risk.** Status Update - None Original Action Date   31 Aug 12   Revised Action Date

Control Issue – The Softbox IT system was updated to show overpayments that were irrecoverable and had been written-off, but unless there had been a debtor invoice raised the amount written off had not been accounted for in the general ledger.

Risk Rating – Low Risk.

Status Update - None

Fostering & Adoption
Control Issue – A review had not been undertaken to establish whether it was cost effective for the Council to continue processing Fostering Allowances on a weekly basis. **Risk Rating – Low Risk.** Status Update - None Original Action Date   31 Aug 12   Revised Action Date

Adults, Housing & Health

Derby Women's Centre
Control Issue - The measures being used for reporting against some of the set outputs were not an accurate indication of the output definition. **Risk Rating – Low Risk.** Status Update - The new allocations policy is now being drafted; we are going out for consultation at the end of September 2012. New software

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| Original Action Date | 31 Aug 12 | Revised Action Date | |

is being developed for the new policy. Aim to go to Nov/Dec Cabinet. Work on new procedures and verification will start mid October/November 2012.

| Original Action Date | 31 May 12 | Revised Action Date | 31 Mar 13 |

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Adults, Housing & Health (Cont.)

Housing Allocations

Control Issue - Eligibility checks were not undertaken for all applicants and records of the checks undertaken were not consistently maintained. **Risk Rating – Low Risk.**

Status Update - The new allocations policy is now being drafted; we are going out for consultation at the end of September 2012. New software is being developed for the new policy. Aim to go to Nov/Dec Cabinet. Work on new procedures and verification will start mid October/November 2012.

| Original Action Date | 31 Jul 11 | Revised Action Date | 31 Dec 12 |

Control Issue - The Housing Allocations Policy was being updated: Procedures were aged and required review, which was dependent on the policy update. Although the Abritas system was fit for purpose at the time of audit, a change in the policy would mean amendments would be required to the software. **Risk Rating – Low Risk.**

Status Update - The new allocations policy is now being drafted; we

Neighbourhoods

Bereavement Services

Control Issue - Charges recorded in the Epilog system were being transferred to a spreadsheet, which was being emailed to Business Hub2 staff to raise the relevant debtors' invoices in Oracle. This process is littered with security and control weaknesses which would allow errors or fraud to occur without detection. **Risk Rating – Low Risk.**

Status Update - 23/4/12 email response This continues to be a major concern and need to be escalated to high risk status. We are currently trying to recover large sums of income no invoiced by the Hub. The installation of the Gower financial module is considered an imperative and needs to be actioned asap.

| Original Action Date | 31 Mar 12 | Revised Action Date | 30 Sep 12 |

Control Issue - The Epilog system was not reconciled to the Council's Accounts Receivable system or the General Ledger to ensure all income was properly and completely accounted for.

Risk Rating – Low Risk.

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are going out for consultation at the end of September 2012. New software is being developed for the new policy. Aim to go to Nov/Dec Cabinet. Work on new procedures and verification will start mid October/November 2012.

Original Action Date   31 Mar 11   Revised Action Date   31 Dec 12

Status Update -23/4/12 email response This continues to be a major concern and need to be escalated to high risk status. We are currently trying to recover large sums of income no invoiced by the Hub. The installation of the Gower financial module is considered an imperative and needs to be actioned asap.

Original Action Date   31 Mar 12   Revised Action Date   30 Sep 12

4 Recommendation Tracking (Cont.)

Recommendations Not Yet Implemented (Cont.)

Neighbourhoods (Cont.)

Chipside – IT System Security
Control Issue - There was a weak password associated with the local administrative "Administrator" and "Capita" accounts. There were also issues with the local password and account management policy on the Server. **Risk Rating – Moderate Risk.** Status Update - Update from Mikk Campbell 15/11/11 - Need to instruct Serco to make changes to the passwords as recommended above from audit. Update from Mikk Campbell 09/03/12 - I have been in touch with Serco this morning to chase up a response to the enquiry which I made last December; clearly I am uncertain that Serco have sorted this out in the meantime as they would normally send confirmation that the work is completed. I will inform you of the outcome. Update from Serco (to Mikk Campbell) 29/03/12 - We are currently investigating the security issue highlighted by the audit team on your Server but as mentioned this also affects all other Servers. Currently we

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are performing an investigation to look at the impact the changes require may have and how to administrate these changes.

I will give you another update in due course when we have had the time to complete the investigation and resolve your particular issue.

Original Action Date   30 Apr 11   Revised Action Date   3 Jul 11