

Report of the Head of Audit and  
Risk Management

## INTERNAL AUDIT – PROGRESS REPORT

### RECOMMENDATION

- 1.1 To note the activity and performance of Internal Audit in the period 1 November 2009 to 28 February 2010 and to comment accordingly.

### SUPPORTING INFORMATION

- 2.1 This report summarises the internal audit work completed in the period from 1 November 2009 to 28 February 2010 and seeks a decision by the Committee to determine the audit reports it wishes to review in more detail at the next meeting.

#### Summary of internal audit activity – 1 September 2009 to 31 October 2009

- 2.2 Appendix 2 summarises the output of internal audit for the period. During the period 1 November 2009 to 28 February 2010, 23 audits were finalised. This total excludes 16 Financial Management Standard in Schools (FMSiS) external assessments and 7 audits for external organisations.
- 2.3 Appendix 3 provides details of internal audit's overall opinion on the adequacy of the level of internal control for each of the 23 audit reviews finalised in the period and the number of recommendations made for each review. Table 1 following provides an analysis of audit opinion on the system of control. Appendices 4 and 5 provide members with the main issues relating to each completed audit. Appendix 5 covers exempt items which are not for publication.

Table 1: Overall Audit Opinion in audits finalised between 1 November 2009 and 28 February 2010.

Department	Good	Satis- factory	Marginal	Unsatis- factory	Unsound	No Opinion	Total
Regeneration & Community	1			1		1	3
Children & Young People			2				2
Resources	2	2	2			3	9
Environmental Services		2	1			1	4
Corporate & Adult Services		2	1	1	1		5
<b>Total</b>	<b>3</b>	<b>6</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>23</b>

Note: This table does not include any audits undertaken on behalf of external bodies or the external assessment of schools in respect of FMSiS.

- 2.4 As a general policy, all audits leading to a rating of “unsound” or “unsatisfactory” will be brought to the Committee’s specific attention. In the period, there have not been any audits which have rated the overall control in the area/service under review as unsatisfactory or unsound. Appendix 3 contains a brief definition for each category of control rating.
- 2.5 At the end of February the Internal Audit Section has achieved a productivity rate of 74.53%. The target for the year is 73.3%. During the period, a total of 574.50 days has been spent on audit reviews within departments. The breakdown by department is shown in Table 2 below:

Table 2: Analysis of Audit time spent by Department in the period from 1 November 2009 to 28 February 2010

Department	Actual Days
Regeneration and Community	45.75
Children and Young People	110.25
Resources	327.75
Environmental Services	45.50
Corporate and Adult Services	45.25
<b>Total</b>	<b>574.50</b>

- 2.6 The main areas of internal audit work in the period from 1 November 2009 to 28 February 2010 have been on Investigations, general systems based audits, and on the FMSiS. (See Table 3 below.)

Table 3: Analysis of time spent by key areas of audit work in the period from 1 November 2009 to 28 February 2010

Audit Area	Actual Days
Advice to Clients	24.00
Investigations	70.25
Governance Audits	5.00
Follow-up Work	9.25
Certification Work	18.00
Performance Indicator Audits	21.75
Managed Audits	129.75
IT Audits	88.75
Contract/Partnership Audits	1.50
Systems Audits	75.00
Probity Audits	70.25
Schools FMSiS	61.00
<b>Total</b>	<b>574.50</b>

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**Background papers:** None

**List of appendices:**

Appendix 1 - Implications

Appendix 2 - Internal Audit Output Summary 1 November 2009 to 28  
February 2010

Appendix 3 - Opinion & Issues/Recommendations Made and Accepted in  
Jobs Finalised during the period 1 November 2009 to 28  
February 2010

Appendix 4 - Summary of Audit reports issued between 1 November 2009  
and 28 February 2010

Appendix 5 - Summary of Audit reports issued between 1 November 2009  
and 28 February 2010 (Not for Publication)

<b>IMPLICATIONS</b>
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**Financial**

1. None directly arising.

**Legal**

2. Under the Accounts and Audit Regulations 2003, the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

## Internal Audit Output Summary – February 2010

February	%	Regeneration & Community	Children & Young People	Resources	Environmental Services	Corporate & Adult Services	External Bodies	Total
		<b>Not Allocated</b>			1		1	2
<b>Allocated</b> but not yet started	0%-10%		8					<b>8</b>
<b>Started</b> - Fieldwork commenced	0%-80%	2	12	22	2		1	<b>39</b>
<b>Awaiting Review</b> - Fieldwork complete file submitted for review	80%	1		2				<b>3</b>
<b>Reviewed</b> but draft report not yet issued	90%							
<b>Draft Report</b> issued but final report not issued	95%	3		3	1	1	6	<b>14</b>
<b>Final Report</b> issued	100%	9	4	15	6	8	11	<b>53</b>
<b>Complete</b> Job finalised but no formal report with recommendations issued	100%		29	8	2	2	2	<b>43</b>
	<b>Total</b>	<b>15</b>	<b>54</b>	<b>50</b>	<b>12</b>	<b>13</b>	<b>20</b>	<b>164</b>
<b>Removed</b> from Plan	0%							

## Opinion & Issues/Recommendations Made and Accepted in Jobs Finalised during the period 1 Nov 2009 to 28 Feb 2010

Job Name	Overall control rating	Issues Raised / Recommendations Made			Issues Accepted		
		Funda-mental	Signif-icant	Merits Attention	Funda-mental	Signif-icant	Merits Attention
<b>Regeneration &amp; Community</b>							
NI 9 Use of Public Libraries	Good	0	0	1	0	0	1
Penetration Testing Results - EXOR	Unsatisfactory	0	4	0	0	4	0
DCP NI 116 - Children in Poverty	N/A	0	0	0	0	0	0
<b>Children &amp; Young People</b>							
LPSA2 Target 1 - Educational Attainment	Marginal	0	0	1	0	0	1
Procurement of Capital Schemes	Marginal	0	5	6	0	5	6
<b>Resources</b>							
Main Accounting System 2008-9	Good	0	1	4	0	1	4
Teachers Pension Return TR17 2008-9	Good	0	0	0	0	0	0
Teachers Pension Return TR17 2009-10 Preparation	N/A	0	0	0	0	0	0
NI 152 - Working Age People Out of Work on Benefits	N/A	0	0	0	0	0	0
Investigation - Derby Direct Agency Staff	N/A	0	0	0	0	0	0
Web Server Security	Marginal	0	8	5	0	8	5
Disciplinary and Dismissals Process & Policy	Satisfactory	0	1	15	0	1	15
Officers Expenses	Satisfactory	0	2	4	0	2	4
LPSA2 - Performance Reward Grant Certification 2008-9	Marginal	0	0	0	0	0	0
<b>Environmental Services</b>							
Employee Payment Issues	Marginal	0	3	2	0	3	2
NI 57 – Children’s Participation in Sport	Satisfactory	0	1	0	0	1	0
LPSA2 Target 7 - Participation in Physical Activity	Satisfactory	0	1	0	0	1	0
Investigation – Environmental Services	N/A	0	0	0	0	0	0
<b>Corporate Services</b>							
Members' Allowances 2009-10	Satisfactory	0	3	8	0	3	8
Northgate Swift Application Audit	Marginal	0	7	3	0	7	3
Raynesway View - Resident’s Funds	Unsatisfactory	0	7	8	0	7	8
Derby Integrated Community Equipment Service (DICES)	Satisfactory	0	4	4	0	4	4
Markets - Probity	Unsound	0	13	2	0	13	2
<b>Total Recommendations Made</b>		<b>0</b>	<b>62</b>	<b>63</b>	<b>0</b>	<b>62</b>	<b>63</b>

Table does not include 7 audit finalised in respect of Internal Audit's external contracts or the 16 FMSiS external assessments where the primary schools achieved the Standard.

<b>Unsound</b>	means that the risks identified within the audit are major and fundamental improvements are required.
<b>Unsatisfactory</b>	means that the risks identified within the audit are unacceptable and significant changes should be made.
<b>Marginal</b>	means that the risks identified within the audit are either numerous or significant and require improvement.
<b>Satisfactory</b>	means that the risks identified within the audit are minimal or less significant but changes are required.
<b>Good</b>	means that either no risks have been found or the risks identified within the audit are minor and only a small amount of changes would be beneficial.

## Summary of Audits Finalised during period 1 November 2009 to 28 February 2010

### Introduction

The main findings in final audit reports issued are summarised below. It should be noted that this summary comments on key weaknesses found, as this is the focus of the recommendations. The full audit reports give a more rounded picture of the overall control environment, and to appreciate this broader picture, members should also take note of the overall control rating and the controls that were tested and found to be adequate.

### Regeneration & Community

#### NI 9 Use of Public Libraries

##### ***Overall control rating: Good***

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Council's to have in place effective arrangements for the monitoring and review of data quality. National Indicator 9 on the "Use of public libraries" was included in the sample of performance indicators selected for review during 2009/10.

The following issue was considered to be the key control weaknesses:

- The baseline figure of 47.7% was based on data collected between April 2008 and October 2008 (6 month measurement period), whereas data collected between April 2008 and April 2009 gave the result of 46.8% for the same performance year. Accordingly, the agreed performance target is significantly higher than would be appropriate and may not be achievable.

This control issue was accepted and positive action was agreed to address this issue by the end of March 2010.

#### DCP NI 116 - Children in Poverty

##### ***Overall control rating: N/A***

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Councils to have in place effective arrangements for the monitoring and review of data quality. National Indicator 116 on the "Proportion of children in poverty" was included in the sample of performance indicators selected for review during 2009/10.

Audit contacted the Research and Strategy Officer to arrange for the review to be conducted. However, the data required to calculate this indicator was not made available to the Council from the Department of Work and Pensions or from Jobcentre Plus as they have stated that they need to ensure data security following the unauthorised release of data by Her Majesty's Revenue and Customs.

We were therefore unable to provide any assurance as to the adequacy of the internal control environment as the Council was unable to calculate a performance figure.

We will be producing a report on our findings from all the 2009/10 Performance Indicator Reviews and Self Assessments, in which recommendations will be made to address this issue and prevent any future occurrences.

# Children & Young People

## LPSA2 Target 1 - Educational Attainment

### ***Overall control rating: Good***

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Council's to have in place effective arrangements for the monitoring and review of data quality. LPSA 2 Target 1 on Educational Attainment was included in the sample of performance indicators selected for review during 2009/10.

The following issues were noted during our review and we raised the first two as Reservations in the Internal Auditors' Report to the Chief Executive which accompanied the LPSA 2 Grant Funding Claim. A recommendation was made in relation to the third issue:

- The performance figures for Sub-Targets 1.7 to 1.9 only included those children achieving Level 3 at the end of Key Stage 2 and not 'level 3 or below' as stated in the definition.
- The Special Conditions which related to Sub-Targets 1.6 to 1.8 had not been met.
- The performance figures for 2008/09 posted on Performance Eye had not been authorised by the designated officer.

Management accepted all the issues raised and resolved to review and authorise the performance figures directly.

## Procurement of Capital Schemes

### ***Overall control rating: Marginal***

This audit focused on the process for ensuring that the Capital procurement projects are well controlled and delivering the required outcomes within budgets. It should be noted that whilst the audit covered CYP's entire capital programme from their Asset Management Team's perspective, in Property Services it focussed on those relatively minor projects delivered by the Repair and Maintenance Team and did not review major capital projects delivered by the Design Team.

The following issues are considered to be the key control weaknesses:

- Information required to plan the capital programme was not always being received when needed, as a timetable had not been produced to inform officers when information was required to be submitted.
- Risk assessments for each capital project were limited to project specific design and construction risks, other key risks were not being identified, analysed or mitigated.
- The internal billing process has been identified as a major cause of delay in the capital contract payment process. Delays have lead to key sources of funding being withdrawn which has meant that funds have had to be sourced from elsewhere to the detriment of other important capital projects.
- Key information regarding the availability of key funding streams some of which may be time-restricted was not effectively being communicated to the relevant officers/sections in the authority to make them aware which capital projects were a priority.



- The AMP section had no key or local performance measures relating to the delivery of the capital programme which they had to measure, monitor and report on.

All 11 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Action had already been taken in respect of one recommendation. Positive action in respect of 6 recommendations will be completed by the beginning of April 2010 and 3 by the end of October 2010. The remaining recommendation is reliant upon a new IT system which will be purchased as part of DECATS and should be implemented by April 2011.

## **Resources**

### **Main Accounting System 2008-9**

#### ***Overall control rating: Good***

This audit focused on ascertaining the adequacy of controls which ensure that data within the system is complete, accurate and appropriate, with testing directed at controls over journal transactions, feeder systems and key reconciliations.

The following issues were considered to be the key control weaknesses:

- Various balancing differences highlighted by the key reconciliation processes (in particular the payroll reconciliation) were not being investigated and resolved in a timely manner.
- There was no value limit above which certain high risk journals were required to have a second authorisation by a more senior officer.
- Heads of Finance were not verifying that the actual rights allocated to their staff were as authorised.
- There was no evidence that reconciliations completed were subject to review by an officer independent of the process.
- Internal Audit was unable to provide assurance that the payroll reconciliations undertaken were complete and accurate as the process was overly complicated and not easily auditable.

All 5 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 4 recommendations by the end of November 2009. The remaining action was agreed to be taken by 31 March 2010.

### **Teachers Pension Return TR17 2008-9**

#### ***Overall control rating: Good***

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 to Teachers' Pensions. 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, Internal Audit provides assurance that the entries on the return accurately reflect the deductions made and remitted. Under the Council's managed audit arrangements, External Audit seek to place reliance on this work.

External Audit was able to place total reliance on the work undertaken by Internal Audit.

## **Teachers Pension Return TR17 2009-10 Preparation**

### ***Overall control rating: N/A***

In preparation for the 2009-10 TR17 return (to be certified in 2010-11), it was necessary for Internal Audit to collect and collate the pension data available from schools. This work should help facilitate the timely certification of the return in 2010-11.

## **NI 152 - Working Age People Out of Work on Benefits**

### ***Overall control rating: N/A***

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Councils to have in place effective arrangements for the monitoring and review of data quality. Internal Audit reviews the accuracy and completeness of performance information as part of these arrangements. National Indicator 152 on the number of "Working age people on out of work benefits" was included in the sample of performance indicators selected for review during 2009/10.

Audit contacted the Accountable Officer at Jobcentre Plus, the partnership agency responsible for this indicator, to arrange for the review to be conducted. Jobcentre Plus was not comfortable for the Council to conduct a review of this performance indicator and declined our request. We were therefore unable to provide any assurance as to the adequacy of their internal control environment or verify the performance figures posted on Performance Eye.

We will be producing a report on our findings from all the 2009/10 Performance Indicator Reviews and Self Assessments, in which recommendations will be made to address this issue and prevent any future occurrences.

## **Disciplinary and Dismissals Process & Policy**

### ***Overall control rating: Marginal***

This audit focused on a comparison between the Derby City Council Dismissals and Disciplinary Policy and best practice.

The following issues were identified as the key control weaknesses:

- The recent Employment Act 2008 which came into force on 6 April 2009 was not reflected in the Policy.
- Although the provision whereby the Council can access pension contributions was used rarely, we would expect to find mention of this in the Policy or management guidance, so a potential wrong-doer could not claim that they did not know they were jeopardising their future pension.
- The Council has a self-imposed restriction on which officers can be involved in the disciplinary and dismissals process, including the appeal stage which required Members to be involved.
- The Council may be challenged over its approach to "spent" warnings.
- The references to "cumulative misconduct" in the Disciplinary and Dismissals Policy were sparse and unclear.
- The policy states that the grounds for suspension have to be given to the employee.

- The Disciplinary and Dismissals Procedure gives guidance on a limited level of delay to be permitted within the process when the subject calls in sick.
- The Disciplinary and Dismissals policy does not include any guidance on what action should be taken if an investigation subject offers their resignation part-way through the process.
- Appointed investigating officers have no formal support mechanism in place, to help them undertake a fair, consistent and thorough investigation.
- Although the training given to investigators described standard investigative documents such as witness statements and investigation reports, no samples were provided.
- Although a pool of 18 trained investigators was established in 2006, there have been no new additions to that pool since then.
- The Council has not developed a standard method of case analysis to assist investigators in establishing what aspects of the investigation they should focus on.
- Investigators may know that there is specialist help available to them in their task, but may be unaware of where to find that help.
- The unstructured nature of personal files makes them difficult to interrogate and leads to irrelevant data being made available when a file is required by an investigator.
- The Council does not provide investigating officers with guidance as to where information can be gathered, including the personal file of the investigation subject.
- The Council has not provided investigating officers with any guidance on briefing colleagues about their responsibilities in relation to a fellow employee under investigation.

All 16 of the control issues raised within this report have been accepted and positive action has been agreed to be taken to address all issues. Positive action in respect of all 16 recommendations will be completed by the end of August 2010.

A separate significant recommendation was made in relation to severance agreements. This issue came to light during this audit, but it sits outside of the Council's Disciplinary & Dismissals Policy. The issue was that:

- The Council has not developed any formal guidance on the use of severance agreements and when or how these should be applied.

This control issue was also accepted and positive action to address this issue was agreed to be taken by April 2010.

## **Officers Expenses**

### ***Overall control rating: Satisfactory***

This audit focused on the payment of claimed expenses through the payroll system. It did not look at allowances which are not the subject of a claim, or at expenses recovered by way of petty cash.

The following issues were considered to be the key control weaknesses:

- There is no current, comprehensive guidance for staff on the completion and payment of expenses claims available on-line.

- Officers expense claims are not always submitted with appropriate receipts and some are illegible. The HR Pay & Administration team does not reject all the unsupported claims.
- The PIN number that was used to verify the signature of the authorising officer on officer's expense claims was no longer in use. A specimen signature was now being used to confirm the validity of the authorising officer.
- The checking process is not identifying errors on officers' expense forms and incomplete and incorrect claims have been authorised.
- The Council's policy relating to long journeys is being disregarded. Authorising Officers are approving claims to be paid at NJC rates for journey's over 100 miles.
- The detail expenditure codes in Vision are not aligned with those in Oracle. The present recording method has resulted in some miscoding which made comparison of the two systems difficult.

All 6 of the control issues raised within this report have been accepted and positive action has been agreed to be taken to address all issues. Positive action has already been taken in respect of 1 issue. Another 4 will be addressed by 1 March 2010 and the 1 remaining action will be completed by the end of June 2010.

## **LPSA2 - Performance Reward Grant Certification 2008-9**

### ***Overall control rating: Marginal***

Derby City Council and the Government entered into a Local Public Service Agreement (LPSA) for the period 1 April 2005 to 31 March 2008 to improve the services that the Council provides. A sum of £983,219 'pump priming' grant was paid in 2005 which had a number of conditions attached to the grant. The Government also agreed to pay a performance reward grant to the Council if the targets specified within the agreement were achieved.

Internal Audit were required to certify that the conditions for the Performance Reward Grant had been met, primarily verifying performance figures being reported for the various projects benefiting from the original funding. The LPSA 2 projects we examined were:

- Target 1/13 – Improve education attainment.
- Target 7 – Increasing the amount of physical activity taken by children and young people.

Our Data Quality audits of Targets 1 and 7 had identified problems with some of the performance figures as they were not meeting the required special conditions and aspects of the definitions had been misinterpreted and subsequently incorrectly reported. Guidance states that if the special conditions are not met the grant cannot be claimed. Accordingly, the grant certificate was certified by the Head of Internal Audit, but with two reservations due to the shortcomings detailed above. A claim of £197k has still been made for Target 1 and a reduced claim of £360k had been made for Target 7. The Department of Communities and Local Government (DCLG) will no doubt take into account our reservations when deciding whether to pay the Council any performance reward grant.

We will be producing a report on our findings from all the 2009/10 Performance Indicator Reviews and Self Assessments, in which recommendations will be made to address these issues and prevent any future occurrences.

# Environmental Services

## Employee Payment Issues

### ***Overall control rating: Marginal***

Following Internal Audit's work on various aspects of payments to Environmental Services employees, we identified a number of systems weaknesses. With the recent formation of the Employee Services Centre (ESC), a number of areas of responsibility have transferred from the Environmental Services Human Resource (HR) and Payroll sections to the ESC. With this, 3 of the 5 recommendations made, were redirected to the Head of Employee Services in Resources whilst 2 remained to be addressed by Environmental Services HR.

The following issue were considered to be the key control weaknesses:

- A number of poor practices and systems were noted in the standby / callout payment processes that enabled the misuse and abuse of these arrangements.
- An officer who was appointed as a Relief Contract Manager had been acting in this capacity since June 2007 without the arrangement being subject to review.
- A number of honoraria payments had been made without proper authorisation.
- Overtime payments have been made to officers graded S01 and above. No evidence of Chief Officer approval had been found for these payments.
- The 'Event History Summary' was not used to support the majority of the Environmental Services payroll records.

All 5 of the control issues raised within this audit were accepted and positive action was agreed to be taken to address 3 recommendations by the end of December 2009, 1 by the end of January 2010 and the remaining action was agreed to be taken by 31 March 2010.

## NI 57 – Children's Participation in Sport

### ***Overall control rating: Satisfactory***

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Council's to have in place effective arrangements for the monitoring and review of data quality. National Indicator 57 on "Children and young people's participation in sporting opportunities" was included in the sample of performance indicators selected for review during 2009/10.

The following issues were identified as the key control weaknesses:

- The spreadsheet used to calculate 2008/09 performance figure contained formula errors which lead to an inaccurate figure being calculated and posted to Performance Eye.
- The performance figure for 2008/09 had been posted in error against 2009/10 on performance Eye and the figure had not been reviewed or authorised by the designated officer.

Both control issues raised within this report were accepted and positive action was agreed to address these issues by the end of February 2010.

## LPSA2 Target 7 - Participation in Physical Activity

### ***Overall control rating: Satisfactory***

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Council's to have in place effective arrangements for the monitoring and review of data quality. LPSA 2 Target 7 on "Increasing the amount of physical activity taken by children and young people" was included in the sample of performance indicators selected for review during 2009/10. The following issue was considered to be the key control weaknesses:

- Validation checks had not been conducted on the performance figures provided by the Carnegie Research Institute and subsequent inaccuracies had not been resolved in time for the Council to meet the grant claim submission date.

This control issue was accepted and positive action was agreed to address this issue by the end of February 2010.

## **Corporate & Adult Services**

### **Members' Allowances**

#### ***Overall control rating: Satisfactory***

This audit focused on the processes in operation for establishing the Scheme for Members Allowances with regard for the statutory requirements set under the Local Government and Housing Act 1989. Management were seeking assurance over the adequacy of the controls in place for administering and reporting the payments for members' allowances and expense claims. Also that there were suitable security arrangements in place to avoid unauthorised access loss or damage to personal data.

The following issues were considered to be the key control weaknesses:

- There were no formal procedural guidelines that clearly set out the instructions and requirements for processing members' allowances.
- Members were required to sign a declaration to ensure they had adequate car insurance cover for the vehicle used for claiming travel and subsistence, but they were not required to present the insurance documents for checking.
- Members had not been provided with any guidelines that clearly explained what the preferred methods of travel were and what the limitations were on particular journeys.
- Various old versions of the members claim for expenses forms were still being used to make claims and the old forms do not include the latest insurance declarations.
- Contrary to the Members' Allowance Scheme 11(e), we identified 2 travel and subsistence payments that were claimed outside of the 2 month deadline. The scheme does not provide any additional requirement if these timeframes are exceeded.
- Members claim for expenses forms had not been completed consistently with all the necessary details and signatures, yet they had all been processed and paid.
- Dependant Carers Allowance claim forms and supporting documentation did not provide sufficient information to be able to verify the legitimacy and accuracy of the claim.
- Constitutional Services were not checking to confirm the payments processed by Payroll agreed to the update schedules they were providing.

- Payments made to Members were being incorrectly coded resulting in an inaccurate disclosure in the Council's statement of accounts.
- We identified a number of discrepancies in the Members' Allowances figures disclosed on the Council's website and Statement of Accounts presented to the Audit and Accounts Committee.
- The Premier Envoy System was being accessed using the user ID and password details that had been allocated to the previous post holder.

All 11 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action in respect of all 11 recommendations will be completed by the end of March 2010.

### **Derby Integrated Community Equipment Service (DICES)**

#### ***Overall control rating: Satisfactory***

This audit focused on evaluating management controls in place which should ensure that the contract was achieving its stated objectives, providing value for money and access to sensitive data was properly managed.

The following issues were considered to be the key control weaknesses:

- The contract file could not be located, in contravention to the Contract Procedure Rules and Document Retention Policy. The Council would not be able to demonstrate that the Service Provision had been subject to market testing in the event of a challenge.
- The contract had been extended for a further 12 months and there was no evidence that Cabinet had been notified as required by the Contract Procedure Rules.
- Information held on the database was not adequately secured. Exposure of the system default password could allow personal data to be accessed inappropriately.
- Service Managers were not reviewing Personal Identification Numbers (PINs) allocated, to verify that all active PINs were still valid and that the permissions attaching to workers PINs were still appropriate.
- The system did not enforce strong password complexity i.e. did not set minimum length or character criterion for passwords, exposing data held to potential unauthorised access.
- The system did not insist that the default password be changed either on first login or within a set period of time/transactions after login. There was no automated facility to lock out account users that had not changed the default password.
- The password used to enter the review screen to amend data was displayed in plain text rather than encrypted, such that it could be observed and used for unauthorised amendments.
- The Contractor was not being notified of users who no longer needed their equipment because of death or other change of circumstances. Thus the charge per the invoice did not reflect the credit element for any such equipment.

All 8 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action in respect of all 8 recommendations was to be completed by the end of March 2010.