



# South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 17<sup>th</sup> December 2014



## 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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# South Derbyshire District Council – Internal Audit Progress Report

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## Summary

### Role of Internal Audit

The Internal Audit Service for South Derbyshire District Council is 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 Public Sector Internal Audit Standards – PSIAS). CMAP also adheres to the Internal Audit Charter.

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

### Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit Sub-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 Sub-Committee in Audit's progress reports.

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### Audit Coverage

#### Progress on Audit Assignments

The following table provide Audit Sub-Committee with information on how audit assignments were progressing as at 30<sup>th</sup> November 2014.

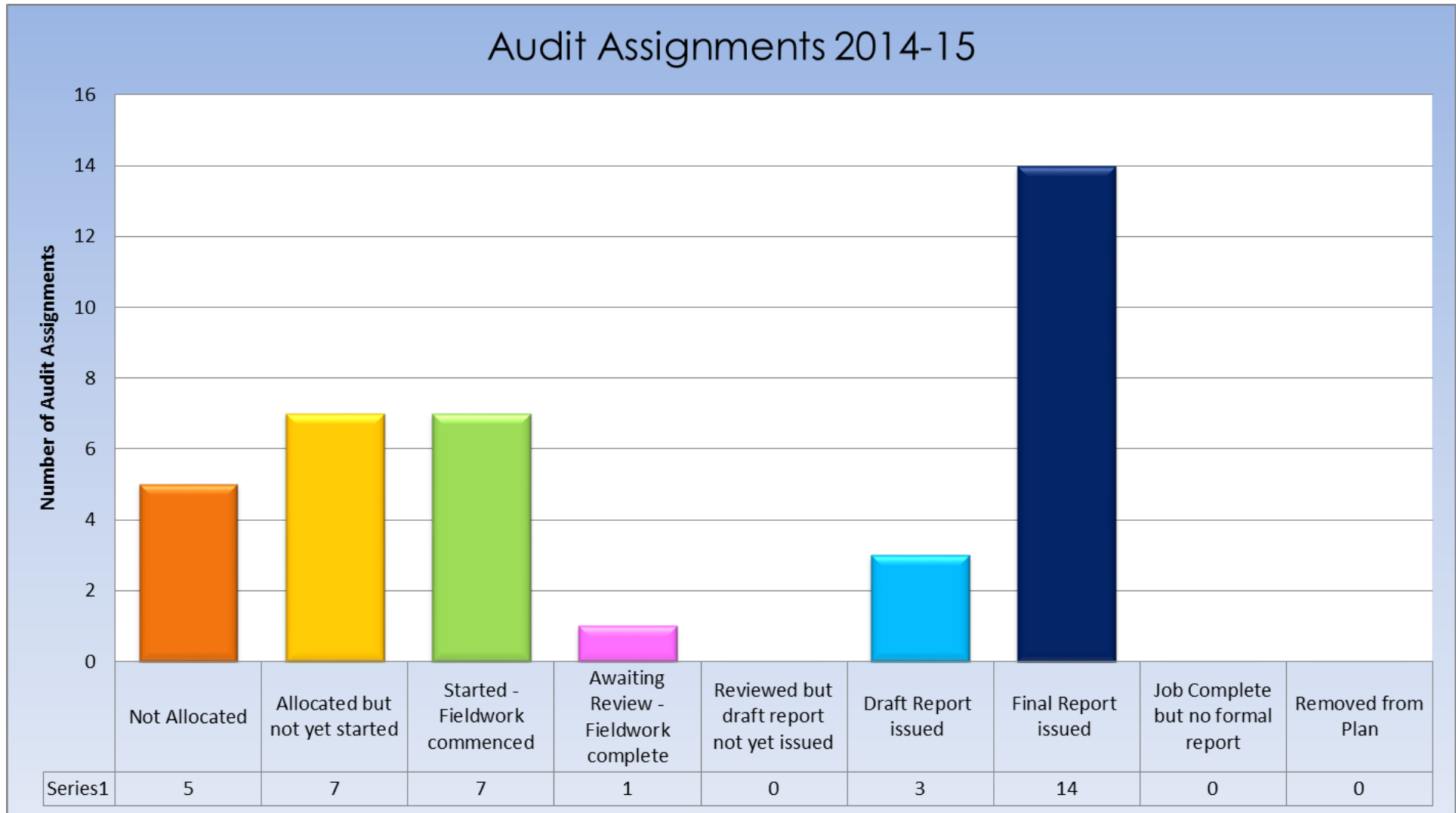
2014-15 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Main Accounting System 2014-15	Key Financial System	Allocated	0%
Creditors / Debtors 2014-15	Key Financial System	Allocated	5%
PCI Compliance	Governance Review	Draft Report	95%
Civica Security Assessment	IT Audit	In Progress	70%
CRM Security Assessment	IT Audit	Final Report	100%
Capacity Management	IT Audit	Allocated	15%
Partnership Governance	Governance Review	Final Report	100%
Risk Management 2014-15	Governance Review	Allocated	10%
Data Quality & Performance Management 2014-15	Governance Review	Allocated	10%
Safeguarding 2014-15	Systems/Risk Audit	Final Report	100%
Fixed Assets 2014-15	Key Financial System	Allocated	0%
Council House Sales	Systems/Risk Audit	Final Report	100%
Electoral Services	Systems/Risk Audit	Draft Report	95%
Bereavement Services	Systems/Risk Audit	Final Report	100%
Economic Development	Systems/Risk Audit	Allocated	10%
Section 106 Agreements	Systems/Risk Audit	Draft Report	95%
Development Control	Systems/Risk Audit	In Progress	65%
Waste Management	Systems/Risk Audit	Allocated	30%
Vehicles, Plant & Equipment	Systems/Risk Audit	Final Report	100%
Improvement Grants	Systems/Risk Audit	Final Report	100%
Pollution Control	Systems/Risk Audit	In Progress	75%
Food Safety	Systems/Risk Audit	Final Report	100%
Licensing	Systems/Risk Audit	Final Report	100%
Depot Health & Safety	Governance Review	In Progress	70%
B/Fwd - Creditors / Debtors 2013-14	Key Financial System	Awaiting Review	80%
B/Fwd - Data Protection & Freedom of Information	Governance Review	In Progress	75%
B/Fwd - Business Continuity & Emergency Planning	Governance Review	Allocated	15%
B/Fwd - Service Contracts	Procurement/Contract Audit	Final Report	100%

Another 5 planned assignments (not shown above) have not been allocated yet.

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## Audit Coverage

### Progress on Audit Assignments Chart



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## Audit Coverage

### Completed Audit Assignments

Between 1<sup>st</sup> September 2014 and 30<sup>th</sup> November 2014, the following audit assignments have been finalised since the last Progress Report was presented to this Committee:

- CRM Security Assessment.
- Partnership Governance.
- Safeguarding 2014-15.
- Council House Sales.
- Bereavement Services.
- Vehicles, Plant & Equipment.
- Improvement Grants.
- Food Safety.
- Licensing.
- Service Contracts.

The following paragraphs summarise the internal audit work completed in the period.

### CRM Security Assessment

Overall Control Assurance Rating: **Reasonable**

This audit focused on the security, configuration and management of the Councils CRM (Northgate Front Office) application and supporting server infrastructure. At the time of the audit this included WEST – Test CRM Application and Database Server; AJAX – Live CRM Application Server and LOCK – Live CRM Database Server. We could not provide assurance on the software licensing compliance for the CRM application, or the data retention policy for the data processed by the application, as evidence was not provided within the audit testing deadlines.

From the 31 key controls evaluated in this audit review, 15 were considered to provide adequate control and 16 contained weaknesses. The report contained 9 recommendations, 5 of which were considered a low risk and 4 were considered a moderate risk. The following issues were considered to be the key control weaknesses:

- The CRM databases were housed on a SQL Server 2005 SP2 system. Support for SQL Server 2005 SP2 ended in 2007. Unsupported database software is exposed to newly discovered security vulnerabilities or functionality bugs, which could be exploited to jeopardise the confidentiality, availability and integrity of the CRM user data. (Low Risk)
- There were a number of issues noted with the backups of the CRM SQL Server. The SQL Server system databases were not subject to backups, log files were not being backed up despite the server being in full recovery mode, backups were being written to the same drive as the live database files, and there was no evidence to demonstrate test restores were taking place. (Moderate Risk)
- There were a number of configurations and maintenance issues exposing the SQL Server to serious performance and reliability issues. This could ultimately impact on the performance and availability of the Councils CRM application which would affect service delivery. (Moderate Risk)
- There were several SQL Server and Windows Server accounts with weak corresponding passwords (set to common passwords, or where passwords mirrored usernames or mirrored usernames with a number suffix), exposing the CRM database and application servers to unauthorised administrator access. (Moderate Risk)
- The Council owned 8 SQL Server 2014 Enterprise Core Licences, yet there were 19 installations of SQL Server software across 13 servers (12 VM's running 1 or more instance of SQL and 1 physical

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host running SQL), running over 5 physical hosts, which had a total of 50 cores. Given the current SQL Server environment, the Council technically requires 4 core licences (minimum) per SQL Server VM/Physical Server, and therefore the 8 core licences were seriously insufficient given the database infrastructure.

(Moderate Risk)

- There were a number of shares on the CRM application server that were openly accessible to every user in the Network, and in some case granted the Everyone group full control. Ultimately these could be accessed by malicious parties to affect the availability integrity and confidentiality of the CRM application. (Low Risk)
- A small number of administrative vulnerabilities existed on both the LOCK (CRM database server) and AJAX (CRM application server) Servers. Unnecessary services were running on the database and application servers, increasing the servers attack surface, and failed login events were not being audited which could be used to identify password guessing and brute force attacks against the Server. (Low Risk)
- There were a number of accounts which still had access to the CRM application despite individuals either leaving the Council altogether, or moving on to different departments and roles where they no longer required access to the System. Ultimately this poses a privacy violation to the personal data processed by the System. (Low Risk)
- Each CRM user did not have an individually assigned account. We identified 4 generic accounts that could not be traced to an individual user. This ultimately causes accountability issues as well as limiting separation of duties and effective access control. (Low Risk)

All 9 of the issues raised were accepted. Positive actions were agreed to address 2 of the recommendations by 31<sup>st</sup> December 2014, and the final 7 control weakness by the end of April 2015.

### Partnership Governance

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing the partnership governance arrangements in place at a sampled partnership: this was the Rosliston Forestry Centre Executive. The governance arrangements at the Rosliston Forestry Centre Executive were considered against best practice.

From the 20 key controls evaluated in this audit review, 7 were considered to provide adequate control and 13 contained weaknesses. The report contained 12 recommendations, 10 of which were considered a low risk and 2 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Partnership Agreement between the Council and the Forestry Commission did not include key areas. (Low Risk)
- Whilst a significant change to the Rosliston Forestry Centre Executive Partnership prompted a new Partnership Agreement, the arrangements for review and revision of the partnership had not been documented within it. (Low Risk)
- The aims, objectives and mission of the Rosliston Forestry Centre Executive Partnership differed across key partnership documents. (Low Risk)
- The mechanism for releasing payments had only been included within the Management Agreement, which was between the Council and Aurora. The financial contribution of each partner had not been formally documented and agreed. (Low Risk)
- There was not a current version of a Risk Register for the Rosliston Forestry Centre Executive Partnership. (Low Risk)
- Terms of reference were established in 2006 and had not been reviewed or updated since. (Low Risk)
- Key financial procedures had not been issued to Aurora. (Low Risk)
- An annual plan and report had not been prepared and published for each year of the partnership to justify continued support of the arrangement. (Low Risk)
- There was not a documented delegation of approval for partnership spending decisions. (Low Risk and Risk Accepted)



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- There were not any formal performance indicators for the partnership. (Low Risk)
- The amount paid to Aurora in respect of the February 2014 payment schedule was incorrect. (Moderate Risk)
- There had not been a competitive process for the contract to manage the Rosliston Forestry Centre at the time of awarding the management agreement to Aurora. (Moderate Risk)

All 12 issues raised within this report were accepted. Management decided to take no action in respect of one low risk issue and accept the risk identified. Action was agreed to be taken to address 7 of the issues (including both moderate risk issues) by 31<sup>st</sup> March 2015, another 3 of the issues by 31<sup>st</sup> June 2017 and the final issue being addressed by 31<sup>st</sup> March 2018.

### Safeguarding 2014-15

Overall Control Assurance Rating: **Comprehensive**

This audit focused on assessing the adequacy of the systems in place for ensuring the effectiveness of the Council's Safeguarding policy and procedures.

From the 14 key controls evaluated in this audit review, 9 were considered to provide adequate control and 5 contained weaknesses. The report contained 5 recommendations, 4 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- The working practices and the Council's 'Safeguarding Children, Young People and Vulnerable Adults Policy for raising a concern about the welfare or safety of a child, young person or vulnerable adult were not aligned. (Low Risk)
- The Council had revised and updated its Safeguarding Children and Vulnerable People Policy in July 2014, but the previous version dated December 2012 remained on the Council's intranet and its website. (Low Risk)
- There was no routine statistical information being provided to assist the Corporate Equalities and Safeguarding Group with the

monitoring and evaluation of the Safeguarding Policy and Procedures. (Low Risk)

- A formal log of all the safeguarding alerts had not been maintained that provided a consolidated record of all the referrals that had been made to the Safeguarding Officer. (Low Risk)
- There was not a dedicated email address set up with restricted access to nominated officers for receiving, acknowledging and responding to safeguarding alerts. ((Moderate Risk)

All 5 of the control issues raised in this report were accepted. Positive actions were agreed to address 2 of the control issues by 30<sup>th</sup> November 2014 and the remaining 3 by 31<sup>st</sup> January 2015.

### Council House Sales

Overall Control Assurance Rating: **Reasonable**

This audit focused on the Right to Buy process and examined sales which had taken place since April 2013.

From the 30 key controls evaluated in this audit review, 26 were considered to provide adequate control and 4 contained weaknesses. The report contained 4 recommendations 3 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weakness:

- The Business support team procedural guidance had not been subjected to a regular review, leading to it being out-of-date and it did not include the timescales within which the various stages of the process should be completed. (Low Risk)
- Full checks on the financial status of all persons wishing to be involved in the purchase had not been carried out in one instance of the 26 cases sampled. (Low Risk)
- The timescales for responding to an RTB1 form with a RTB2 reply were not being kept. (Low Risk)

All 3 issues made within this report were accepted. 1 issue was agreed to be addressed by 1<sup>st</sup> December 2014 and the remaining 2 issues were agreed to be addressed by the 31<sup>st</sup> March 2015.



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## Bereavement Services

Overall Control Assurance Rating: **Comprehensive**

This audit focused on assessing the adequacy of the Council's systems in place for managing the risks associated administering Bereavement Services.

From the 22 key controls evaluated in this audit review, 14 were considered to provide adequate control and 8 contained weaknesses. The report contained 7 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- Although there were some procedural guidelines and checklists in place, the documents were fragmented and the checklists were not always being properly completed. (Low Risk)
- The Council's website did offer the option of extending the exclusive rights of burial for a further 25 years at the end of a 50 year term, but it was not clear as to what the procedure or cost would be should the request be made. (Low Risk)
- There was not a formally agreed methodology in place for assessing and prioritising the cemeteries and memorials for Health and Safety risk assessments. (Low Risk)
- The Council was not a member of the Charter for the Bereaved as recommended by the Institute of Cemeteries and Crematoriums (ICCM). (Low Risk)
- Historical records comprising of the Burial Registers, Grave Registers and Grants of Rights were not held in a lockable and fireproof location. (Low Risk)
- The Interment and memorial application forms and the Council's burial webpage did not clearly advice customers on the methods available to them for making a payment. (Low Risk)
- The BACAS system was not being reconciled to the General Ledger to ensure that all income was properly accounted for. (Low Risk)

All 7 of the control issues raised in this report were accepted. Positive action was agreed to address 1 of the control issues by 30<sup>th</sup> September 2014, another 1 by 31<sup>st</sup> October 2014, and for the 5 remaining were to be addressed by 31<sup>st</sup> March 2015.

## Vehicles, Plant & Equipment

Overall Control Assurance Rating: **Reasonable**

This audit focused on the adequacy of the systems in place for identifying, recording, maintaining and safeguarding Council vehicles, plant and equipment.

From the 20 key controls evaluated in this audit review, 11 were considered to provide adequate control and 8 contained weaknesses. The report contained 9 recommendations, 8 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Council did not have a formally approved Vehicle, Plant and Equipment Management Strategy in place that set out its aims and objectives and its policy on the management of these assets. (Low Risk)
- There was not a formally approved replacement policy in place that set the criteria for assessing the replacement of vehicles, plant and equipment to ensure the chosen option achieved optimum value for money. (Low Risk)
- There was not an adequate information management system in place that provided up-to-date and accurate vehicle, plant and equipment data. The management information system in use was essentially the inventory record that audit testing revealed had not been appropriately updated. (Moderate Risk)
- Although the Direct Services Manager was delegated the authority to approve the replacement and disposal of vehicles, plant and equipment, this was not formally agreed and recorded in a local scheme of delegation. (Low Risk)
- Access to the inventory record was not restricted and neither was the document protected to help ensure cells could not be overwritten in error, to ensure the integrity of the data. (Low Risk)

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- The inventory record 'Service History' worksheet had not been properly updated and was not accurate. It indicated that 13 vehicles were overdue a service but further enquires revealed all 13 had been appropriately serviced. (Low Risk)
- There was not a formal record maintained that logged when and to who the vehicle keys were issued and returned. (Low Risk)
- The cabinets used for filing and storing vehicle and equipment documentation were not securely locked to ensure restricted access. (Low Risk)
- There was inadequate security arrangements in place for ensuring the CCTV recordings were backed up securely and properly safeguarded from theft or damage. (Low Risk)

All 9 of the control issues raised in this report were accepted. Positive action had already been taken to address 2 of the control issues and positive actions were agreed to address 3 of the control issues by 30<sup>th</sup> September 2014, another 1 by 30<sup>th</sup> November 2014, 2 by 31<sup>st</sup> December 2014 and the remaining 1 by 1<sup>st</sup> April 2015.

### Improvement Grants

Overall Control Assurance Rating: **Reasonable**

This audit focused on reviewing the grants award process to ensure the procedures in place were being adhered to and that applications were being processed promptly.

From the 41 key controls evaluated in this audit review, 30 were considered to provide adequate control and 11 contained weaknesses. The report contained 11 recommendations, 10 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- There was no requirement within the office procedures for officers to declare any interests in respect of processing Empty Property Grants. (Moderate Risk)
- Checks were not being undertaken to confirm if the applicant had been in receipt of a previous grant award. (Low Risk)

- There was no formal/approved protocol to inform officers wishing to make a decision outside of grant conditions for Empty Property Grants. (Low Risk)
- Surveys to determine the property's eligibility for grant and to establish the extent of the works required had either not been undertaken or the results had not been retained on file. (Low Risk)
- Information provided to the applicant within a grant approval letter did not correspond with the requirements of the Empty Property Grants office procedures (i.e. providing evidence of the contractor's liability insurance). (Low Risk)
- Delays to works had not been approved by the Strategic Housing Manager and retained on the grant file. (Low Risk)
- There was no evidence on file that building regulation implications had been considered as part of the grant process, as per the Empty Property Grant office procedures. (Low Risk)
- A check to confirm ownership of a property had not been undertaken during the initial enquiry stage of the grant process as per the Empty Property Grant procedures but had been undertaken much later, several months after the grant works had been completed. (Low Risk)
- Grant files were not being stored securely with access restricted to the Strategic Housing officers only. (Low Risk)
- Not all applicants had signed a certificate of satisfaction to confirm that they were happy with the works undertaken to their property. (Low Risk)
- With respect to Empty Property Grants, the Land Charges Section was not being notified to record a charge against the property in a timely manner. (Low Risk)

All 11 issues raised within this report were accepted. Positive action was agreed to be taken to address one issue raised by 1<sup>st</sup> December 2014 with action being taken to address 7 other issues by the end of January 2015. Changes have already been made to ensure the remaining 3 issues are addressed.

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## Food Safety

Overall Control Assurance Rating: **Comprehensive**

This audit focused on the processes that ensured that regulations regarding food safety are enforced, adequate management systems and procedures are in place to monitor the quality and nature of inspections carried out by officers (including complaints) and that procedures are in place to ensure that all returns required by external agencies are completed accurately and dispatched in a timely manner.

From the 14 key controls evaluated in this audit review, 11 were considered to provide adequate control and 3 contained weaknesses. The report contained 3 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- There were three different versions of the food safety enforcement policy available on the Council's website. (Low Risk)
- There had not been a comparison between the lists of establishments held by the Business Rates and Food Safety Sections to ensure relevant properties are identified for inspection. (Low Risk)
- The background data used for the Food Standards Agency annual return and local performance indicators was not being retained. (Low Risk)

All 3 of the control issues raised within this report were accepted and positive action had already been taken to implement the recommendations.

## Licensing

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that procedures to issue licences were robust, that licence applications were processed in accordance with regulations and licence fees collected in a timely manner. The audit

also sought to ensure that there was a planned programme of inspections and that procedures had been established to prosecute unlicensed premises/individuals. Finally, the audit also sought to ensure that performance measures had been established, were monitored and reported on a regular basis.

From the 26 key controls evaluated in this audit review, 20 were considered to provide adequate control and 6 contained weaknesses. The report contained 7 recommendations, 6 of which were considered a low risk and 1 a moderate risk. The following issues were considered to be the key control weaknesses:

- The Council's public licence register had not been reviewed and updated on a regular basis. (Low Risk)
- In 20 out of 45 cases tested, the licence applications received and the appropriate fee had been omitted from the Licensing section's receipt book spreadsheet (used to record all licence applications and fees received). (Moderate Risk)
- Results of Disclosure and Barring Service checks were not being recorded within the licence application file. (Low Risk)
- There was no evidence that demonstrated licences had been reviewed by a senior officer prior to their issue. (Low Risk)
- Regular reconciliations were not being performed to ensure fee income had been received for every licence that had been issued. (Low Risk)
- Whilst processing targets had been established, they were not formally reported to Management and no further performance standards had been established to monitor the activity within the section. (Low Risk)
- No formal reports were made to management as a means of monitoring the activity and performance of the Licensing Section. (Low Risk)

All 7 issues raised within this report were accepted. Positive action had already been taken to address 5 of the issues raised with action being taken to address 2 other issues by the end of April 2015.

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## Service Contracts

Overall Control Assurance Rating: **Comprehensive**

This audit focused on evaluating the process for tendering for service contracts

From the 4 key controls evaluated in this audit review, 1 was considered to provide adequate control and 3 contained weaknesses. The report contained 4 recommendations, all of which were considered a low risk. The following issues were considered to be the key control weaknesses:

- The Council's website referred to an Approved Supplier list, but no such list was maintained. (Low Risk)
- The latest version of the Contract Procedure Rules (CPR) was not available on the procurement page on the Council's intranet. The Procurement Guidance and Procedures Manual referred to an earlier version of the CPR. (Low Risk)
- Contract Procedure Rules did not reflect the intended control procedures (i.e. pre-qualification questionnaire) for all expenditure with suppliers over £25K. (Low Risk)
- There was no consistent approach to the processing of new supplier requests and there wasn't always a clear audit trail to identify the checking and authorisation process. (Low Risk)

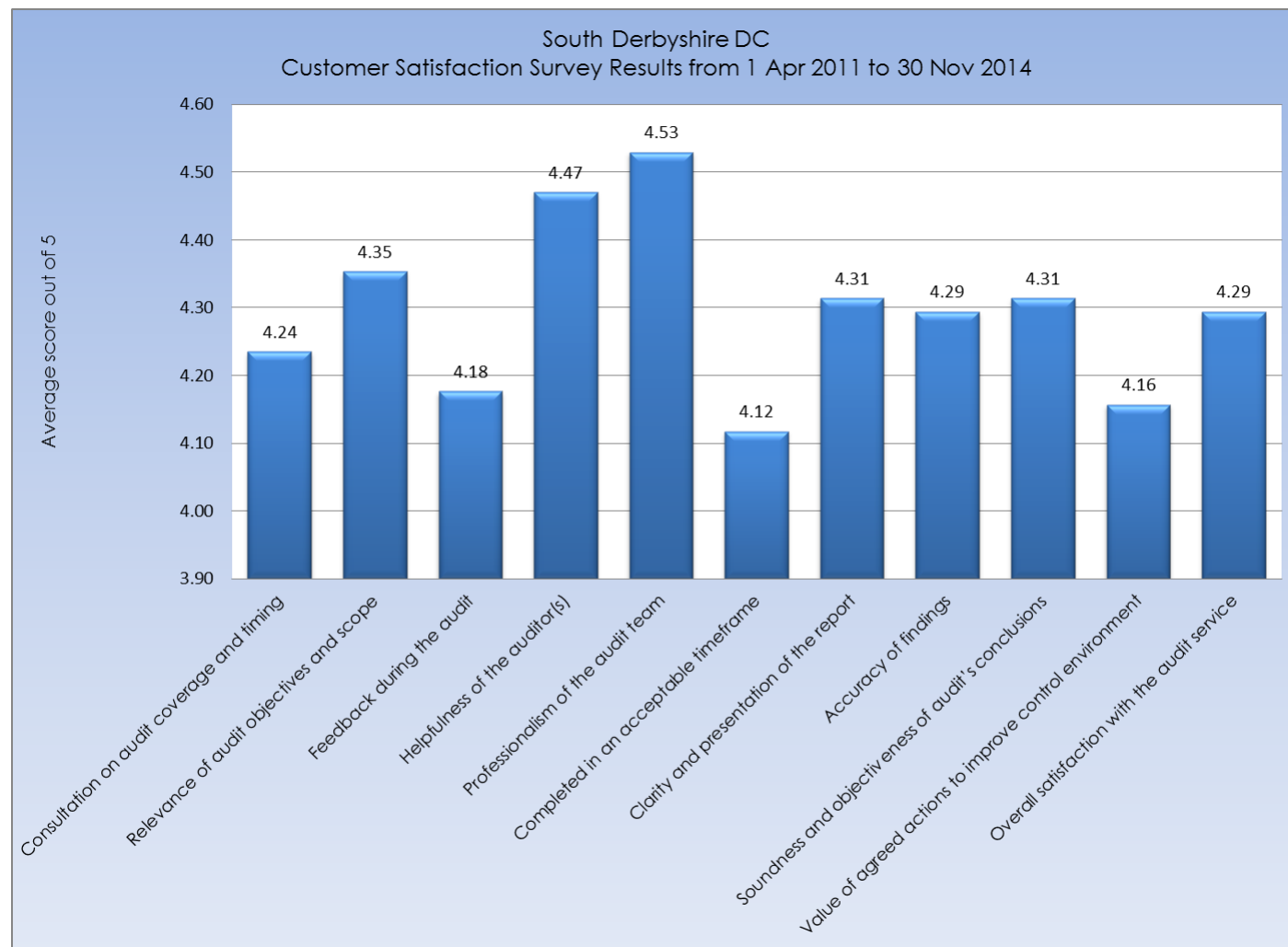
All 4 issues raised within this report were accepted. Positive action had already been taken to address 2 of the issues raised with action being taken to address 2 other issues by the end of November 2014.

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## Audit Performance

### Customer Satisfaction

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 chart across summarises the average score for each question from the 51 responses received between 1<sup>st</sup> April 2011 and 30<sup>th</sup> November 2014. The overall average score from the surveys was 47.3 out of 55. The lowest score received from a survey was 40, whilst the highest was 55 which was achieved on 3 occasions.



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## Audit Performance

### Customer Satisfaction

Since 1<sup>st</sup> April 2011, we have sent 65 Customer Satisfaction Surveys (CSS) to the recipients of audit services. Of the 65 sent we have received 51 responses.

Seven Customer Satisfaction Surveys have not been returned which have already been reported to this Committee and relate to assignments undertaken in previous plan years. Responses to these surveys will no longer be pursued as responses are unlikely to be reliable after this length of time.

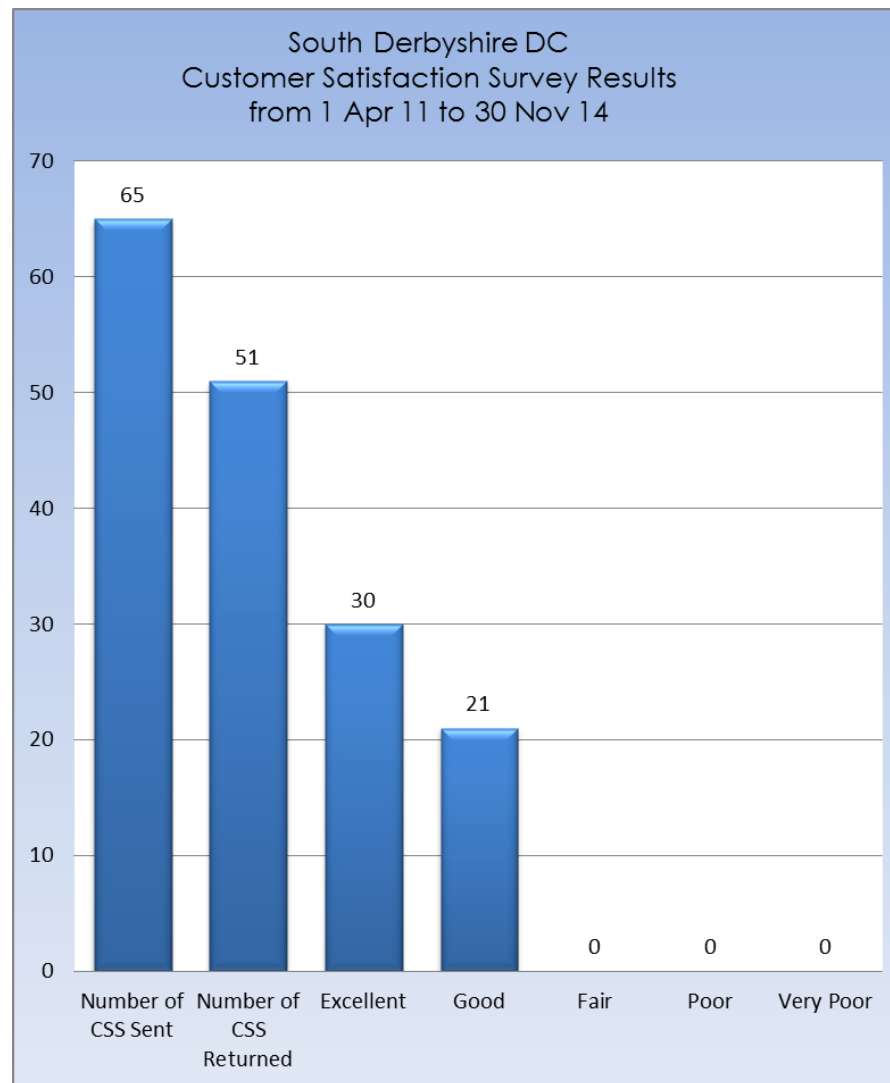
The following Customer Satisfaction Surveys have yet to be returned:

Job Name	CSS Sent	Officer
Data Quality 2013-14	04-Feb-14	Head of Policy and Communications
Main Accounting System 2013-14	12-Feb-14	Director of Finance & Corporate Services
Housing & Council Tax Benefit 2013-14	26-Feb-14	Client Services Manager
Licensing	12-Sep-14	Legal and Democratic Services Manager
Vehicles, Plant & Equipment	12-Sep-14	Direct Services Manager
Improvement Grants	11-Nov-14	Strategic Housing Manager
Council House Sales	11-Nov-14	Performance and Policy Manager

The overall responses are graded as either:

- Excellent (scores 47 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

Overall 30 of 51 responses categorised the audit service they received as excellent, another 21 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.





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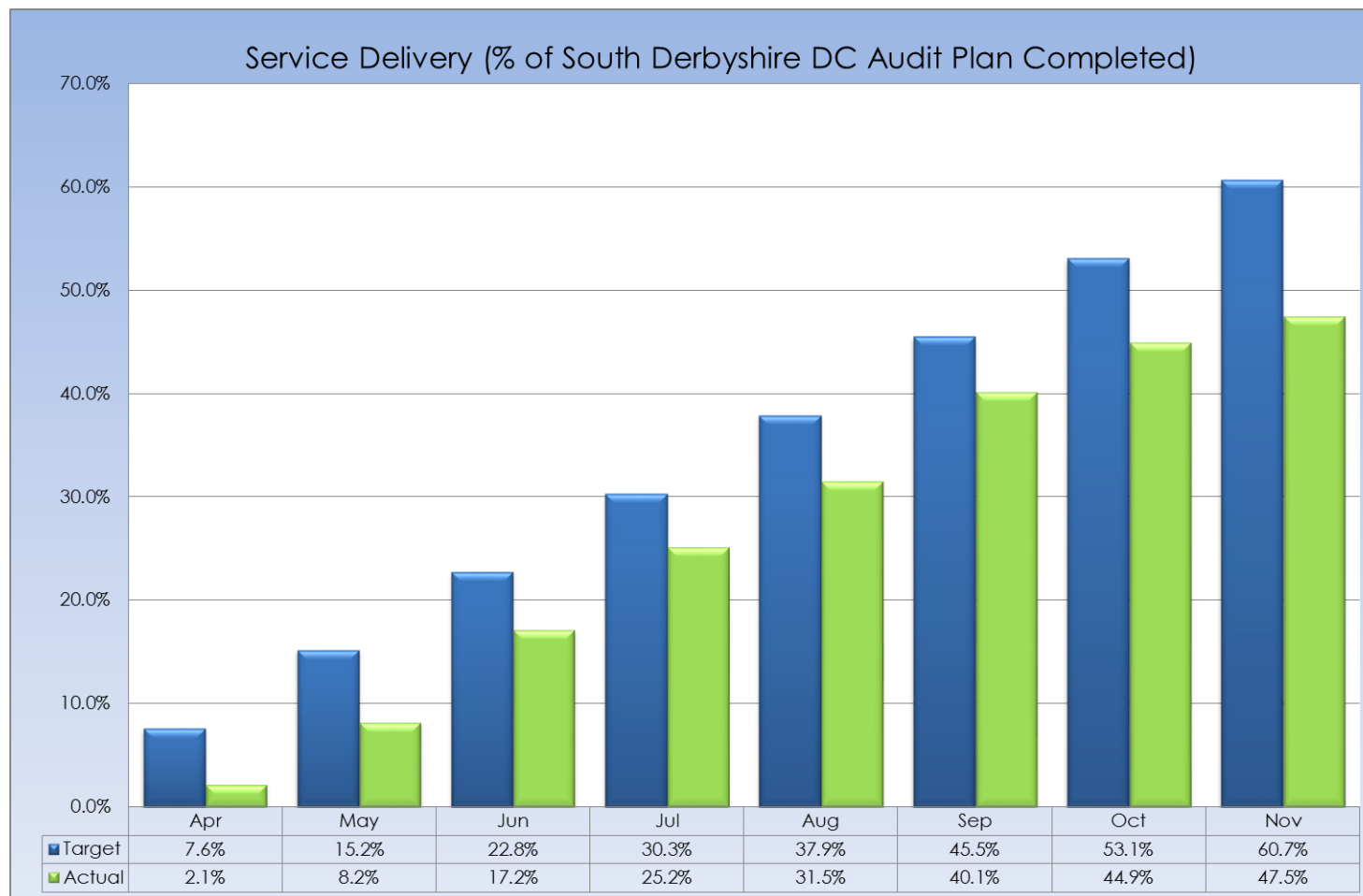
## Audit Performance

### Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown across is the estimated percentage complete for South Derbyshire's 2014-15 Audit Plan (including incomplete jobs brought forward) after 8 months of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.





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## Recommendation Tracking

### Follow-up Process

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

Prior to the Audit Sub-Committee meeting we will provide the relevant Senior Managers with details of each of the recommendations made to their divisions 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** = Audit have been unable to ascertain any progress information from the responsible officer or it has yet to reach its agreed implementation date.
- **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.
- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **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 Details

The table below is 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 that have passed their agreed implementation dates.

	Implemented	Being implemented	Risk Accepted	Superseded	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	215	6	4	5	0	45	<b>275</b>
Moderate Risk	48	3	1	3	1	10	<b>66</b>
Significant Risk	7	0	0	0	0	0	<b>7</b>
Critical Risk	0	0	0	0	0	0	<b>0</b>
	<b>270</b>	<b>9</b>	<b>5</b>	<b>8</b>	<b>1</b>	<b>55</b>	<b>348</b>

The table below shows those recommendations not yet implemented by Dept.

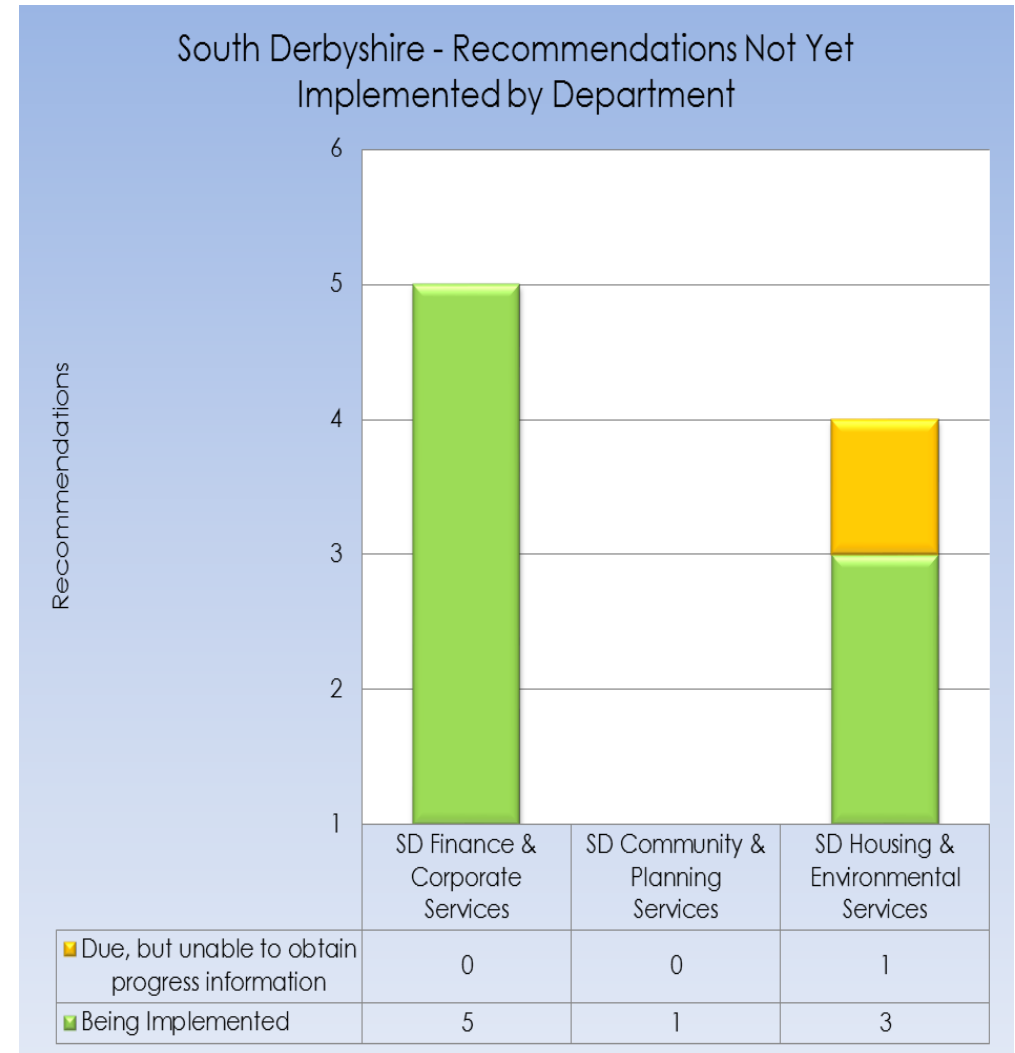
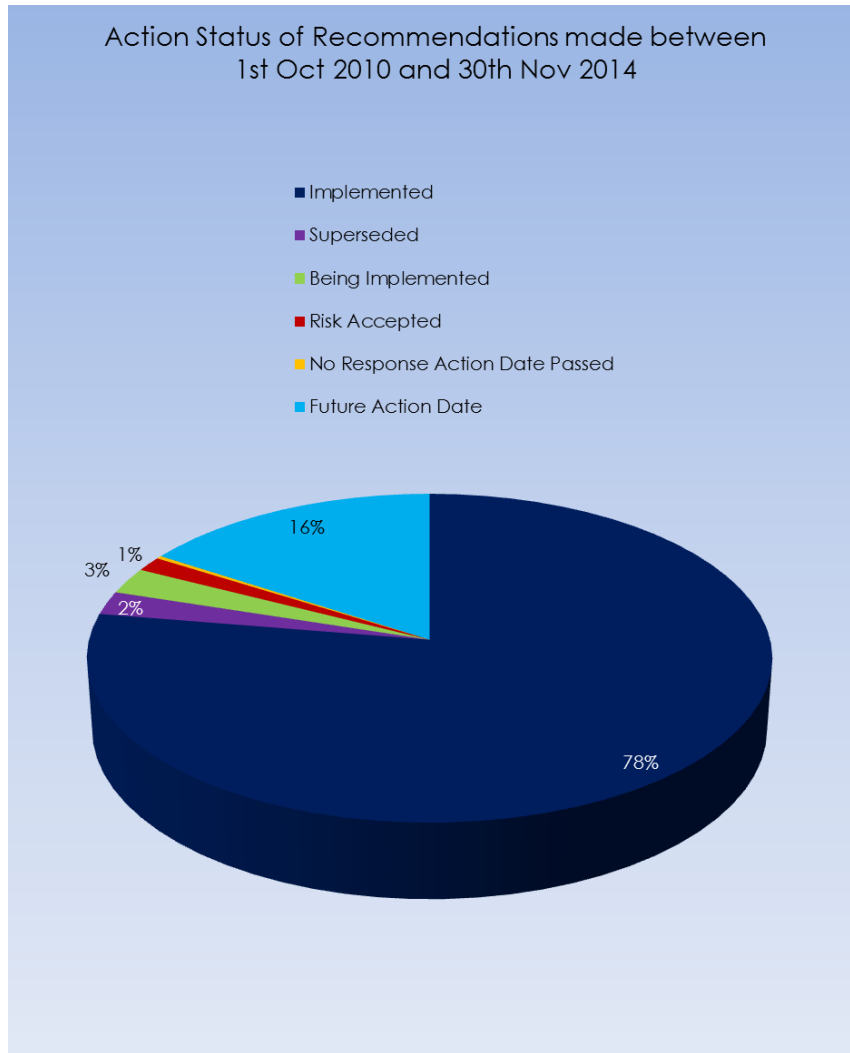
Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Being implemented	5	1	3	<b>9</b>
Due, but unable to obtain progress information	0	0	1	<b>1</b>
	<b>5</b>	<b>1</b>	<b>4</b>	<b>10</b>

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' and those that have passed their due date for implementation. We will provide full details of each recommendation where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). 4 of the recommendations shown above, where management has chosen to accept the risk, have already been reported to this Committee. The new risk accepted recommendation arising from the Partnership Governance audit is recounted in full at the end of this report for your information.

# South Derbyshire District Council – Internal Audit Progress Report

## Recommendation Tracking

### Implementation Status Charts



# South Derbyshire District Council – Internal Audit Progress Report

## Recommendation Tracking

### Recommendations Not Yet Implemented

#### Corporate Services

##### Car Allowances

**Control Issue** - A neighbouring Authority has revised its car user allowance scheme and introduced a new scheme which has removed the essential user lump sum and pays one mileage rate to both types of user. This will enable the Authority to make significant savings in future years.

**Risk Rating** – Low Risk

**Status Update** - Following the Budget Round for 2013/14 and the Council Restructure, it was anticipated that the Single Status Steering Group would be reconvened in 2013. This item will be considered, as planned, as part of the pay and grading review. A revised review date of March 2014 was given, but no action was taken during the year. The Council has recently approved to review its approach during 2014/15.

**Original Action Date** 30 Jun 11      **Revised Action Date** 31 Mar 15

##### Legal & Democratic Services

**Control Issue** - Purchase orders were not being raised for goods and services required in respect of running the election.

**Risk Rating** – Low Risk

**Status Update** - Going forward we will now be raising purchase orders for all ordering. This was not undertaken for the County Council elections but will be undertaken going forward. The Elections process has recently been subject to an independent review commissioned by the Chief Executive. Changes to reporting lines have been made and a report will be considered by the Finance and Management Committee.

**Original Action Date** 30 Nov 12      **Revised Action Date** 31 Mar 15

##### Corporate Governance

**Control Issue** – The Member and Officer Relations protocol document did not include the responsibility of officers to provide training and development to Members and to respond in a timely manner to queries raised by Members. The document had not been reviewed since 2003.

**Risk Rating** – Low Risk

**Status Update** – This will be included in a wider review of the whole Constitution to bring it up to date. It was envisaged that this document would be brought up-to-date in advance of the May 2015 elections.

**Original Action Date** 1 Feb 14      **Revised Action Date** 31 May 15

##### Orchard IT Security

**Control Issue** – The policies and procedures that governed the overall management and administration requirements for the Orchard application had not been defined and documented. This made it hard to determine whether appropriate management and administration practices were being implemented.

**Risk Rating** – Low Risk

**Status Update** – This work is underway and will be finalised following the upgrade in December so that it can reflect the latest version of Orchard.

**Original Action Date** 28 Nov 14      **Revised Action Date** 31 Jan 15

## South Derbyshire District Council – Internal Audit Progress Report

**Control Issue** – We found that the latest version of the Orchard application software had not been installed.

**Risk Rating** – **Low Risk**

**Status Update** – The Orchard upgrade has been delayed and is now scheduled in with IT to be completed in December 2014.

**Original Action Date** 31 Oct 14      **Revised Action Date** 31 Dec 14

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### Community & Planning Services

#### Leisure Centres

**Control Issue** – The Leisure Management Contract was in draft form, despite Active Nation being in the third year of service delivery.

**Risk Rating** – **Moderate Risk**

**Status Update** – Client & contractor and respective legal representatives are still in dialogue. Further requests have been made to follow up and finalise.

**Original Action Date** 25 Oct 13      **Revised Action Date** 31 Dec 14

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### Housing & Environmental Services

#### Tenants Arrears

**Control Issue** – The number of accounts with arrears had not been evenly allocated between the Housing Officers to ensure effective recovery.

**Risk Rating** – **Low Risk**

**Status Update** – The review has now been delayed till after the appointment of the new Housing Operations Manager who will then take on the responsibility to undertake this review in February/March 15.

**Original Action Date** 31 Oct 14      **Revised Action Date** 30 Apr 15

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#### Housing Repairs 2014-15

**Control Issue** – The inspectors were struggling to keep up with the workload due to technological issues and an increasing caseload.

**Risk Rating** – **Low Risk**

**Status Update** – New server built by IT - handhelds delivered but not yet implemented.

**Original Action Date** 30 Sep 14      **Revised Action Date** 15 Jan 2015

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#### Vehicles, Plant & Equipment

**Control Issue** – There was not an adequate information management system in place that provided up-to-date and accurate vehicle, plant and equipment data. The management information system in use was essentially the inventory record that audit testing revealed had not been appropriately updated.

**Risk Rating** – **Moderate Risk**

**Status Update** – No Response Received

**Original Action Date** 30 Nov 14      **Revised Action Date**

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#### Service Contracts

**Control Issue** – Contract Procedure Rules did not reflect the intended control procedures (i.e. pre-qualification questionnaire) for all expenditure with suppliers over £25K.

**Risk Rating** – **Low Risk**

**Status Update** – The Contract procedure rules are being drafted to reflect the EU Procurement Directives (which are still to be enacted in the UK). It will not be possible to finalise the Strategy until the UK Government enacts the EU Directives and the details can be confirmed. - Anticipated March 2015.

**Original Action Date** 30 Nov 14      **Revised Action Date** 31 Mar 15

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# South Derbyshire District Council – Internal Audit Progress Report

## Risk Accepted Recommendations

### Community & Planning Services

#### Partnership Governance

##### Audit Finding

We expected that the Council would be involved in the partnerships decisions, especially in respect of financial matters, and granting of formal approval for spend.

We found that the representatives of the Council who sat on either the Executive or attended the Programme Management meetings were aware of the Partnership's financial expenditure and plans for expenditure, and that there was one instance where a budget was going to be exceeded, in relation to the building of a toilet block which was presented to the appropriate Council Committees' for consideration and approval. However, we noted that there was not a documented requirement for there to be formal approval granted from the Council, or one of its representatives, for spending decisions.

There is a risk that the Council are not kept informed of partnership spend, and do not give formal approval, if and when it is required. This could result in the Council incurring additional spend to which it has not committed.

#### Recommendation 9

Risk Rating: Low Risk

**Summary of Weakness:** There was not a documented delegation of approval for partnership spending decisions.

**Suggested Actions:** We recommend that the Council ensures it sets out the circumstances in which Partnership expenditure requires the Council's approval, e.g. spend over £x amount or spend in excess of x% of budget. The nominated Committee or Officer able to grant authority should also be formally specified.

#### Summary Response

Responsible Officer: Malcolm Roseburgh

Issue Accepted

**Agreed Actions:** Risk accepted - no formal documentation or set levels but current controls sufficient via partnership meetings, meetings with accountants, internal council line management and council financial procedures.

**Implementation Date:** N/A