central midlands audit partnership

Derby City Council – Internal Audit Progress Report

Covering the period 1st June 2015 to 31st August 2015)

Audit & Accounts Committee: 29th September 2015

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.

Contents

Contacts

Richard Boneham
Head of the Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlands
audit.gov.uk

CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Derby City Council – Internal Audit Progress Report

Summary

Role of Internal Audit

The Internal Audit Service for Derby City 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 & 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 effectiveness of 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

Derby City Council – Internal Audit Progress Report

Limited assurance assessment will be highlighted to the Audit & Accounts Committee in Audit's progress reports.

Audit Coverage

Progress on Audit Assignments

The following tables provide Audit & Accounts Committee with information on how audit assignments were progressing as at 31st August 2015.

In Progress at year end - 2014-15 Audit Plan Assignments B/Fwd	Type of Audit	Current Status	% Complete
Corporate Programmes	Governance Review	In Progress	70%
Safeguarding Missing Children	Systems/Risk Audit	Final Report	100%
Payroll 2014-15	Key Financial System	Final Report	100%
Business Support	Systems/Risk Audit	Final Report	100%
Fixed Assets 2014-15	Key Financial System	Final Report	100%
Treasury Management 2014-15	Key Financial System	Draft Report	95%
Main Accounting System 2014-15	Key Financial System	Fieldwork Complete	80%
Creditors 2014-15	Key Financial System	Draft Report	95%
Debtors 2014-15	Key Financial System	Final Report	100%
IT Governance	IT Audit	In Progress	35%
Configuration Management	IT Audit	Final Report	100%
Virtualisation Management	IT Audit	Final Report	100%
Oracle Business Intelligence	IT Audit	Final Report	100%
Wireless Network Infrastructure	IT Audit	In Progress	75%
Network Access Management	IT Audit	Final Report	100%
Oracle EBS R12 Security Assessment	IT Audit	Final Report	100%
Strategic Housing	Systems/Risk Audit	Final Report	100%
Integrated Commissioning: Younger Adults	Systems/Risk Audit	Draft Report	95%

Derby City Council – Internal Audit Progress Report

central midlands audit partnership

Derby City Council – Internal Audit Progress Report

Progress on Audit Assignments (Cont.)

2015-16Audit Plan Assignments	Type of Audit	Current Status	% Complete
Sickness Absence	Governance Review	Final Report	100%
Locality Services	Systems/Risk Audit	Fieldwork Complete	80%
Children in Care & Registered Services	Systems/Risk Audit	Allocated	20%
Integrated Commissioning	Systems/Risk Audit	Allocated	5%
Investigation - St Chads Nursery & Infants School	Investigation	In Progress	65%
Payroll 2015-16	Key Financial System	Allocated	0%
Democratic Services	Systems/Risk Audit	Allocated	0%
Procurement	Procurement/Contract Audit	In Progress	30%
Fixed Assets 2015-16	Key Financial System	Allocated	0%
Main Accounting System (MTFP) 2015-16	Key Financial System	Allocated	5%
Teachers Pensions 2014-15	Key Financial System	In Progress	75%
Grant Certification Audits 2015-16	Grant Certification	In Progress	65%
Insurance	Systems/Risk Audit	In Progress	15%
Anti-Fraud & Corruption 2015-16	Governance Review	In Progress	40%
Internal Groups 2015-16	Advice/Emerging Issues	In Progress	15%
IT Forensics 2015-16	Advice/Emerging Issues	In Progress	40%
Debtors 2015-16	Key Financial System	Allocated	0%
Non-Domestic Rates 2015-16	Key Financial System	Allocated	0%
Housing Benefits & Council Tax Support 2015-16	Key Financial System	Allocated	0%
EDRMS Application	IT Audit	In Progress	70%
Income Management (Civica ICON)	IT Audit	Allocated	10%
MiPeople Application	IT Audit	Allocated	0%
IT Risk Management	IT Audit	Allocated	0%
Waste Management & Disposal	Systems/Risk Audit	In Progress	45%
Bereavement Services	Systems/Risk Audit	Final Report	100%
Sector Development	Systems/Risk Audit	Allocated	5%
Business Intelligence	Systems/Risk Audit	Allocated	5%
Learning Disabilities	Systems/Risk Audit	Allocated	5%
School Self-Assessments 2015-16	Schools	In Progress	40%
20 Schools SFVS Assessments	Schools	Allocated	Various

Derby City Council – Internal Audit Progress Report

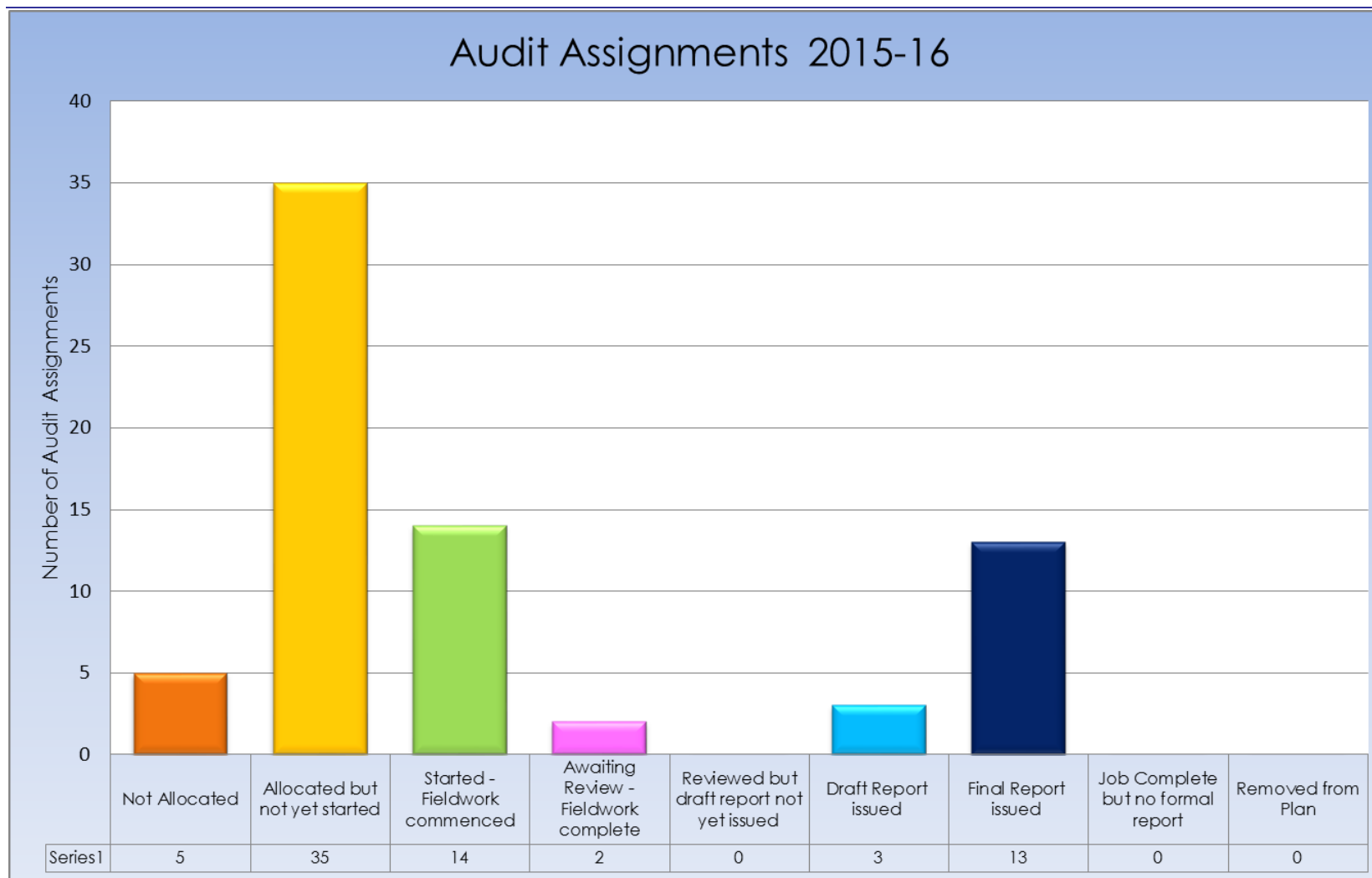5planned audit assignments have yet to be allocated.

Derby City Council – Internal Audit Progress Report

Audit Coverage

Progress on Audit Assignments Chart

The following graph provides Audit & Accounts Committee with information on what stage audit assignments were atas at 31stAugust 2015.

Derby City Council – Internal Audit Progress Report

Audit Assignments 2015-16

Series1	Not Allocated	Allocated but not yet started	Started - Fieldwork commenced	Awaiting Review - Fieldwork complete	Reviewed but draft report not yet issued	Draft Report issued	Final Report issued	Job Complete but no formal report	Removed from Plan
	5	35	14	2	0	3	13	0	0

Audit Coverage

Completed Audit Assignments

Derby City Council – Internal Audit Progress Report

Between 1st June 2015 and 31st August 2015 Internal Audit has completed the following 10 audit assignments for Derby City Council:

Audit Assignment	Overall Assurance Rating
Sickness Absence	Reasonable
Safeguarding Missing Children	Reasonable
Payroll 2014-15	Reasonable
Business Support	Reasonable
Debtors 2014-15	Reasonable
Oracle Business Intelligence	Reasonable
Network Access Management	Reasonable
Oracle EBS R12 Security Assessment	Reasonable
Bereavement Services	Comprehensive
Strategic Housing	Comprehensive

All audits leading to a rating of "Limited" or "None" will be brought to the Committee's specific attention. Accordingly, noaudit assignments are brought to Committee's attention from this period.

In recent months, the organisation has demonstrated a higher appetite for risk which has resulted in Management taking decisions not to take mitigating actions to address certain control weaknesses we have identified. Internal Audit acknowledges Management's responsibility to only take appropriate and proportionate actions to mitigate risks. Accordingly, we no longer intend to provide full details of any Low risk recommendations where management has decided not to take any mitigating actions. These will still be highlighted to this Committee in the assignment summaries provided in these Progress reports. However, we will continue to provide full details of any Moderate, Significant or Critical risk issues where management has decided not to take any mitigating actions.

The following summarises the internal audit work completed in the period and seeks to highlight issues which Committee may wish to review in more detail at the next meeting.

Chief Executives

Sickness Absence

The annual performance target for 2014/15 was 8.4 sick days per FTE and by the end of the year the calculated sick days per the HR system was 13.73 sick days per FTE. Accordingly, we were asked to review this performance indicator to ascertain whether:

- The Council's Sickness Absence figures for 2014/15 had been accurately calculated.

- The available documentation with respect to this indicator was adequate and robust.

- The correct definition and/or guidance had been applied to this indicator.

- The systems used for collecting and recording the performance data were appropriate.

- Any weaknesses in control were evident that could have contributed to an inaccurate performance figure being depicted.

We concluded thatthe Council's sickness absence figures for 2014/15 had been inaccurately calculated for the whole of the financial year and the reported performance figure of 13.73 sick days per FTE, for Council employees, was found to be incorrect.

We were satisfied that the correct definition had been followed for the collection and recording of performance data and calculation of the performance figures. However, a number of errors were identified as a result of the timeliness of data recording and the calculation process which had led to the inaccuracy of the reported performance figures.

We advised on a revised approach for the extraction of data from MiPeople and reviewed the results to identify how the data could be cleansed to account for the issues identified. Following data cleansing, a recalculated performance figure for 2014/15 of 8.39 sick days per FTE was determined.

Derby City Council – Internal Audit Progress Report

The following issues were considered to be the key points:

- There were major issues with respect to the timeliness of data recording on MiPeople which lead to inaccurate data being extracted monthly in order to calculate monthly performance figure. Returner information was often delayed departmentally before this filtered through to HR Operations, sometimes for months on end, and that once the monthly performance had been calculated and reported this was not revisited to take account for erroneous data.
- The calculations of the length of sickness did not exclude Bank Holidays, which were therefore counted as additional sick days.
- Where a part-time employee was off sick, the whole time equivalent was being recorded as sickness (i.e. 18.5hrs lost was being recorded as 37hrs).
- Where employees had multiple jobs their sickness was being recorded against both jobs and subsequently being double counted within the statistics.
- There was a problem with the system artificially inflating the calculation for the length of sickness for Care Assistants. This affected a number of employees, sometimes inflating the number of day's sickness by over 100 days at a time.
- Adequate checks had not been conducted over the calculation of the performance figures by the Accountable Officer to ensure the accuracy of the reported figures.
- HR Operations were not undertaking accuracy and completeness checks over the input of sickness data on MiPeople.
- There was no documented methodology in place to describe the collection and recording of sickness data by HR Operations.

This report contained 6 recommendations, 2 were considered a low risk and 4 a moderate risk. The 6 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 4 issues was due to be undertaken by 30th September 2015, 1 issue was due to be implemented by 31st October 2015 and the remaining low risk issue was due to be implemented by 31st March 2016.

Children & Young People

Safeguarding Missing Children

This audit focused on evaluating the Council's systems and processes in place for ensuring the effective operation of the Runaway and Missing from Home or Care (RMFHC) protocol. From the 10 key controls evaluated in this audit review, 3 were considered to provide adequate control and 7 contained weaknesses. This report contained 7 recommendations, 5 of which were considered to present a low risk and 2 were considered to present a moderate risk. The following issues were considered to be the key control weaknesses:

- The care plans did not clearly identify the risks of the child going missing as per the requirement stated in section 4 of the Runaway and Missing from Home or Care (RMFHC) protocol. (Low Risk)
- There was not a standard process in place to ensure that formal consent from the child and the person with parental responsibility would be sought for using a photograph in any subsequent missing person investigations. (Low Risk)
- There was no standard process in place that ensured a formal record was made to evidence that the dangers of running away and the availability of support services and helplines had been discussed with the looked after child and family members. (Low Risk)
- It was not routine for the respective child's social worker and other key worker to attend the Missing Persons Monitoring Group meetings and be actively involved in the discussion held between representatives from the various agencies. (Low Risk)

Derby City Council – Internal Audit Progress Report

- Unauthorised absences were not being logged centrally to provide social workers and multi-agency groups with up-to-date information for analytical, monitoring and reporting purposes.(Moderate Risk)

- There was not an adequate information management system in place that provided complete, up-to-date and accurate missing person's data that would assist with data analysis and effective information sharing to help prevent children from going missing. (Moderate Risk)

- An on-going log of all the steps undertaken to locate a child where there were concerns as to their whereabouts was not easily available from a central location.(Low Risk)

All 7 of the control issues raised in this report were accepted. Positive action had already been taken to address 1 low risk and 2 moderate risk control issues and positive actions have been agreed to address the remaining 4 low risk control issues by 30th September 2015.

Resources

Payroll 2014-15

This audit focused on ensuring that variations to pay were supported by appropriate documentary evidence and that leavers were actioned on receipt of an official form, with the employees pay ceasing on the last day of service. Finally, the audit sought to ensure that starters to the Council were set up on the payroll system on the basis of an official form, with pay commencing on the correct date and on the correct grade.From the 19 key controls evaluated in this audit review, 10 were considered to provide adequate control and 9 contained weaknesses. This report contained 9 recommendations,6 of which were considered to present a low risk and 3 were considered to present a moderate risk. The following issues were considered to be the key control weaknesses:

- Not all supporting documents relating to travel and subsistence claims were available in support of the payments made to Council officers.(Moderate Risk)

- Inconsistencies were evident relating to supporting documentation being maintained for employee's time and attendance and not all employees had completed and signed their own claims. In some cases, claims weren't always being approved by an appropriate Senior Officer.(Moderate Risk)

- HR Operations had not received notification, in a timely manner, of all employees leaving the Council, resulting in overpayments of salary to the employee.(Low Risk)

- The flow chart which documented the system to be followed in respect of salary overpayments was dated April 2011 and did not fully concur with the system as described to Internal Audit. In addition, monthly outstanding debt reports received from Accounts Receivable were not being reviewed on a regular basis.(Low Risk)

- Invoices raised in respect of salary overpayment were not always being raised in a timely manner. In some instances, several months after the employee had left the Council's employment.(Moderate Risk)

- Numerous aged debts remained outstanding with no application for write-off having been made, despite recovery action having been exhausted.(Low Risk)

- Not all appointment details forms had been authorised by the Recruiting Manager.(Low Risk)

- Appropriate documentary evidence was not always available from HR Operations to confirm an employee's start date and reliance had, instead, to be placed on email confirmations from the employees Line Manager.(Low Risk)

- Appropriate documentary evidence was not always available from HR Operations to confirm an employee's

Derby City Council – Internal Audit Progress Report

starting salary and confirmation had to be obtained from the employees Line Manager.(Low Risk)

All 9 issues raised within this report have been accepted. Action was agreed to be taken to address 4 of the issues raised by 31st August 2015, with action being taken to address 2 more issues by 30th September 2015. The remaining 3 issues were to be addressed by 31st October 2015

Business Support

This audit focused on the controls in operation over petty cash, controlled stationery and the receipt and handling of cheque payments. We visited two locations (Ashtree House and Curzon Street) to review their petty cash and controlled stationery procedures and the Council House to review their controlled stationery procedures and arrangements for cheque handling.From the 20 key controls evaluated in this audit review, 12 were considered to provide adequate control and 8 contained weaknesses. This report contained 8 recommendations,7 of which were considered to present a low risk and 1 was considered to present a moderate risk. The following issues were considered to be the key control weaknesses:

- The Cash Handling Policy and Procedures were not being adhered to in respect of safe key holders in that there were two safe key holders at each site as opposed to the second holder being off premises. (Low Risk)

- Receipts were not always provided to support expenditure and some payment request vouchers appeared to be missing. In some cases there was no signature from the young person confirming receipt of cash or vouchers. (Low Risk)

- There was no evidence of an independent check of transactions or cash on hand for the petty cash accounts reviewed. One account had recently been closed due to the level of discrepancies. (Low Risk)

- There was no formal process for authorising or documenting a request for additional cash (in excess of the standard replenishment amount) to be delivered to locations. (Low Risk)

- Receipt pads and PACE CDs were being issued to staff that did not appear on the approved users list. The approved users list had not been reviewed for three years. (Moderate Risk)

- Locations were not maintaining adequate stock records of the financial stationery (Food and Bus vouchers) held in their care. Incomplete records of issues and returns of receipt pads meant that recipients of some pads could not be identified. (Low Risk)

- Nine staff could access the controlled stationery (receipt pads) at the Council House. (Low Risk)

- The process for dealing with cheques received into the Document Management Centre was inconsistent and there were unnecessary delays in banking income. (Low Risk)

All 8 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 7 by 1st October 2015 and the remaining low risk issue by 30th March 2016.

Debtors 2014-15

This audit focused on the reviewing the controls in operation around the creation of debtor invoices and for ensuring that appropriate recovery action has taken place.From the 13 key controls evaluated in this audit review, 3 were considered to provide adequate control and 10 contained weaknesses. This report contained 9 recommendations,6 of which were considered to present a low risk and 3 were considered to present a moderate risk. The following issues were considered to be the key control weaknesses:

- Invoices raised for less than £10, where invoicing was the only option to recover the debts, were not being printed and issued, which meant that the customer did not receive an

CMAP
central midlands audit partnership

Derby City Council – Internal Audit Progress Report

indication of the debt until a reminder was received. (Low Risk)

- It appeared that departments were not acting on reports received and outstanding debts were not being monitored and action taken to write-off or suspend service provision. Organisational restructures meant that the responsibility for older debts was not necessarily assigned to the correct department. (Moderate Risk)

- The monthly dashboard reports sent to departments did not include all outstanding unpaid invoices. The quarterly aged debtor report did not provide the total level of debt held by customer. (Low Risk)

- A formal procedure for pursuing unpaid debt had not been published. (Low Risk)

- The actual dates for issuing reminders and any further debt recovery process did not correspond to the wording on the reminder letters. (Low Risk – **Risk Accepted**)

- Periodic statements were not being sent to appropriate debtors to allow them to confirm the transactions and balances on their accounts. (Low Risk – **Risk Accepted**)

- There were unpaid invoices to the value of £3.06million 'on hold' which meant that normal debt recovery process had been suspended. (Moderate Risk)

- The reminder process was still not operating effectively in that third reminder letters continued to be sent beyond the period when further action should have been instigated. The reminder process would revert back to issuing first letters where newer invoices on the account remained unpaid. (Moderate Risk)

- The reports for missed instalment payments did not always provide accurate information in that there were invoices which should not have been recorded as paid by instalment and instances where regular payments were being made

against an account that did not appear on the report. (Low Risk)

All 9 of the control issues raised within this report were accepted and positive action was agreed to be taken to address 1 low risk issue by 21st August 2015, 2 low risk issues by 31st October 2015, another 3 issues by 30th November 2015 and a further moderate risk issue by 31st March 2016. Management has decided to take no further action to address the 2 remaining low risk issues.

Oracle Business Intelligence

The initial scope of the audit was to focus on the security, configuration and management of the Council's production Oracle Business Intelligence Enterprise Edition (OBIEE) application and supporting server infrastructure. At the time of the audit, nobody Council employee had the required level of access to allow audit to review and provide a level of assurance on the security configuration of the application. Subsequently, the scope of the audit had to be reduced to only the database tier of the BI infrastructure. External support for the application seemed to only cover the database tier of the application.From the 27key controls evaluated in this audit review, 21 were considered to provide adequate control and 6 contained weaknesses. This report contained 6 recommendations,3 of which were considered a low risk, 2 a moderate risk and 1 a significant risk.The following issues were considered to be the key control weaknesses:

- The Oracle Business Intelligence Enterprise Edition (OBIEE) environment was not subject to formal internal or external support, and current employees in business systems and accountancy did not have access to a number of the management tools that would be required to effectively manage the System. Ultimately lack of support jeopardises the availability, integrity and confidentiality of the System. (Significant Risk)

- There were a number of database accounts with weak or Oracle default passwords, making the database highly

Derby City Council – Internal Audit Progress Report

prone to unauthorised access. In some cases the accounts with weak passwords had DBA level permissions over the production BI database. (Moderate Risk)

- There were a number of accounts in the production OBIEE database that could not be justified. Many of these seemed to be duplicates of accounts setup in the production EBS database, which may not have any justified requirement for accessing the OBIEE database server. (Low Risk– **Risk Accepted**)

- All OPEN database accounts in the OBIEE production database were subject to the DEFAULT password policy, which did not enforce any account lockout protections, password complexity, password expiry or reuse settings, making the database and data highly prone to unauthorised access. (Low Risk)

- The PUBLIC role had been granted EXECUTE permissions on a number of restricted packages, which could be used maliciously to elevate permissions, or affect the availability, integrity and confidentiality of the OBIEE production database and host server. (Low Risk – **Risk Accepted**)

- The OBIEE production database was missing a large number of CPU (critical patch updates), making the database vulnerable to known vulnerabilities, which could be exploited for unauthorised access to sensitive data. (Moderate Risk)

All 6 of the issues raised were accepted and 4 of the issues will be addressed by December 2015. Management has decided to accept 2 of the low risk issues and take no further action to mitigate those particular risks.

Network Access Management

This audit focused on identifying misconfigured Access Control Lists across the 6 Council File Servers focusing specifically on the use of the Everyone and BUITLIN\Users global groups.From the 2 key controls evaluated in this audit review, both were considered to

contain weaknesses. This report contained 2 recommendations,both of which were considered a significant risk.The following issues were considered to be the key control weaknesses:

- The global groups BUILTIN/Users and Everyone group had potentially been included on the ACL of directories housing sensitive information, which could potentially lead to privacy violations and non-compliance with Data Protection principles. (Significant Risk)

- We found 50,622,078 instances across the 6 Council File Servers where a user, group or service account had full control (could amend or delete data as well as removing or adding other users to the ACL) of the contents of a folder. This included 74,180 instances where the Everyone group had full control and 122,222 instances where the BUILTIN\Users group had full control. (Significant Risk)

Both control issues raised within this report were accepted and positive action was agreed to be taken to address them by 31stMarch 2016.

Oracle EBS R12 Security Assessment

This audit focused on the security, configuration, and management of the Council's production Oracle EBS (E-Business Suite) applications, including a technical security assessment of the production Oracle database server. We could not provide assurance on the software licensing compliance for the application, assurance as to whether patches were applied and managed through a formal change control process, or assurance on the security patch status of the application, as evidence pertinent to these controls was not provided within a reasonable audit testing window.From the 39 key controls evaluated in this audit review, 25 were considered to provide adequate control and 14 contained weaknesses. This report contained 6 recommendations,2 of which were considered a low risk and 4 a moderate.The following issues were considered to be the key control weaknesses:

Derby City Council – Internal Audit Progress Report

- Each EBS database user did not have an individually assigned account. There were 2 custom accounts enabled, XXREADONLY (with SELECT ANY TABLE permissions), and XXCUST (with DBA role permissions) that could not be tied to individuals, and were being used by a number of users with SQL*Plus access. Use of accounts shared by multiple users, applications, or processes limit the accountability for actions taken in or on the data or database. (Low Risk– **Risk Accepted**)

- The PUBLIC role (i.e. every user in the database) had been granted execute permissions on some higher risk, restricted packages. This can allow elevation of privileges, and be used to affect the availability, integrity and confidentiality of the production EBS Database. (Low Risk– **Risk Accepted**)

- All EBS database accounts (both application and administrator accounts) were subject to the "DEFAULT" password policy, which was currently not enforcing any appropriate security settings around password complexity, failed login lockout and password expiry. This gives rise to weak password selections, and weak password management practices, which could ultimately allow for unauthorised or elevated access to the database. (Moderate Risk)

- EBS Database account passwords had been set to easily guessed words or values, or Oracle default passwords. In 16 cases, passwords were only 3 characters long, and in a further 27 cases, passwords mirrored the username. One of the accounts cracked had been assigned the DBA role which could be used to extract sensitive data, direct entering of transactions for fraudulent purposes (i.e. updating supplier bank account details), and bypassing separation of duties controls at the application level. (Moderate Risk)

- The backup exec job which was configured to backup the Oracle financials database and application servers (which also housed the online database backups) had been failing

for around 2 weeks at the time of audit testing. If the production database server failed, the Council would lose both the live database and latest backups, which could have a significant impact on service delivery, and impact the ability to restore the system in line with recovery point objectives. (Moderate Risk)

- Application passwords were stored in the database in encrypted form (as opposed to the best practice recommendations of hashed), which makes it a simple task to decrypt in order to obtain plain text passwords for powerful administration accounts such as APPS, which could be used for malicious and fraudulent purposes. (Moderate Risk)

All 6 of the issues raised were accepted and 1 of the issues had already been addressed. Another 3 issues were to be addressed by December 2015. Management has decided to accept the 2 low risk issues and take no further action to mitigate those particular risks

Neighbourhoods

Bereavement Services

This audit focused on the 2014/15 and 2015/16 transactions relating to the control of income and expenditure necessary to administer the Bereavement Service. From the 42 key controls evaluated in this audit review, 37 were considered to provide adequate control and 5 contained weaknesses. This report contained 4 recommendations, all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

- The instructions for weekly cashing up had not been updated to reflect the development of an electronic method of reporting the breakdown of income collected, and were incomplete in terms of advice on problem resolution. (Low Risk)

- A contract was not in place with the suppliers of two key software systems. The booking system was a low value purchase below the threshold for the Financial Procedure Rules, but its loss

Derby City Council – Internal Audit Progress Report

could cause severe administrative issues. The music service was subject to an annually renewed agreement, putting the service at risk of potentially disproportionate price rises. (Low Risk)

- Invoices for cremations carried out were being raised based on summary documents, rather than the original Gower service records. (Low Risk)
- The Bereavement Service was not reconciling invoices received for medical referral charges to its source documents from the Gower booking system. (Low Risk)

All 4 issues raised within this report were accepted with 3 issues agreed to by addressed by the end of August 2015, and the 1 remaining action to be taken by the end of December 2015.

Adults, Health & Housing

Strategic Housing

This audit focused on ensuring that effective systems of internal control were in place regarding the monitoring of the Bath Street

Mills Extra Care development and that appropriate controls had been established in respect of the award of grant funding to Housing Associations' proposed new build projects.From the 39key controls evaluated in this audit review, 38 were considered to provide adequate control and 1 contained weaknesses. This report contained 1 recommendation, which was considered to present a low risk. The following issue was considered to be the key control weaknesses:

- An operational group had been established to monitor progress of the Bath Street Mills extra care development, but no terms of reference had been established for the group. (Low Risk)

The issue raised within this report was accepted and positive action was to be taken to address the issue raised by 14thJuly 2015.

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 74 responses received between 1st April 2013 and 31stAugust 2015. The overall average score from the surveys was

50.1 out of 55. The lowest score received from a survey was 29, whilst the highest was 55 which was achieved on 24 occasions.

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)
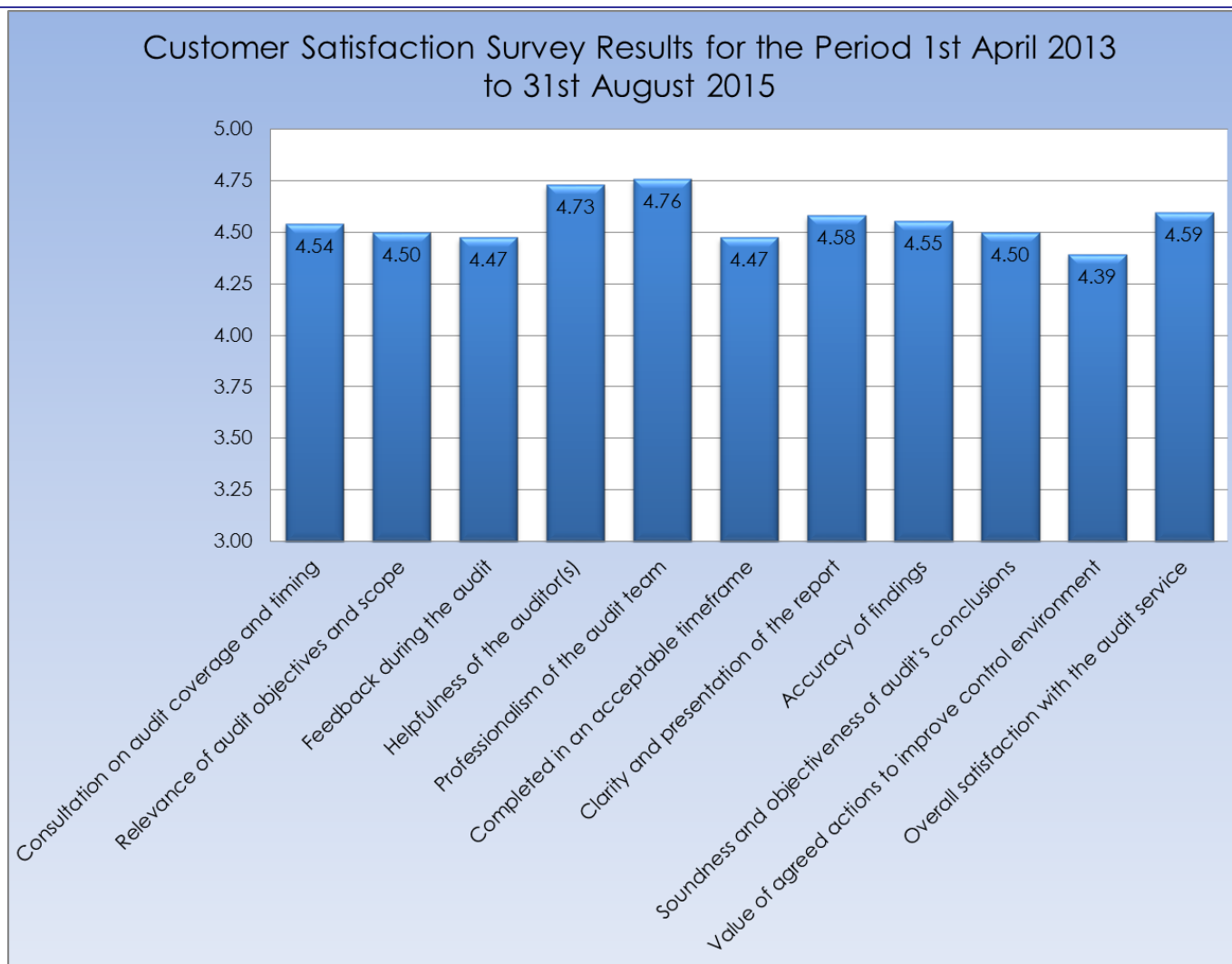- Very poor (scores 11 to 19)

Derby City Council – Internal Audit Progress Report

Overall 56 of 74 responses categorised the audit service they received as excellent, another 16 responses categorised the audit as good and 2 categorised the audit as fair. There were no overall responses that fell into the poor or very poor categories.

Customer Satisfaction Survey Results for the Period 1st April 2013 to 31st August 2015

Category	Score
Consultation on audit coverage and timing	4.54
Relevance of audit objectives and scope	4.50
Feedback during the audit	4.47
Helpfulness of the auditor(s)	4.73
Professionalism of the audit team	4.76
Completed in an acceptable timeframe	4.47
Clarity and presentation of the report	4.58
Accuracy of findings	4.55
Soundness and objectiveness of audit's conclusions	4.50
Value of agreed actions to improve control environment	4.39
Overall satisfaction with the audit service	4.59

CMAP
central midlands audit partnership

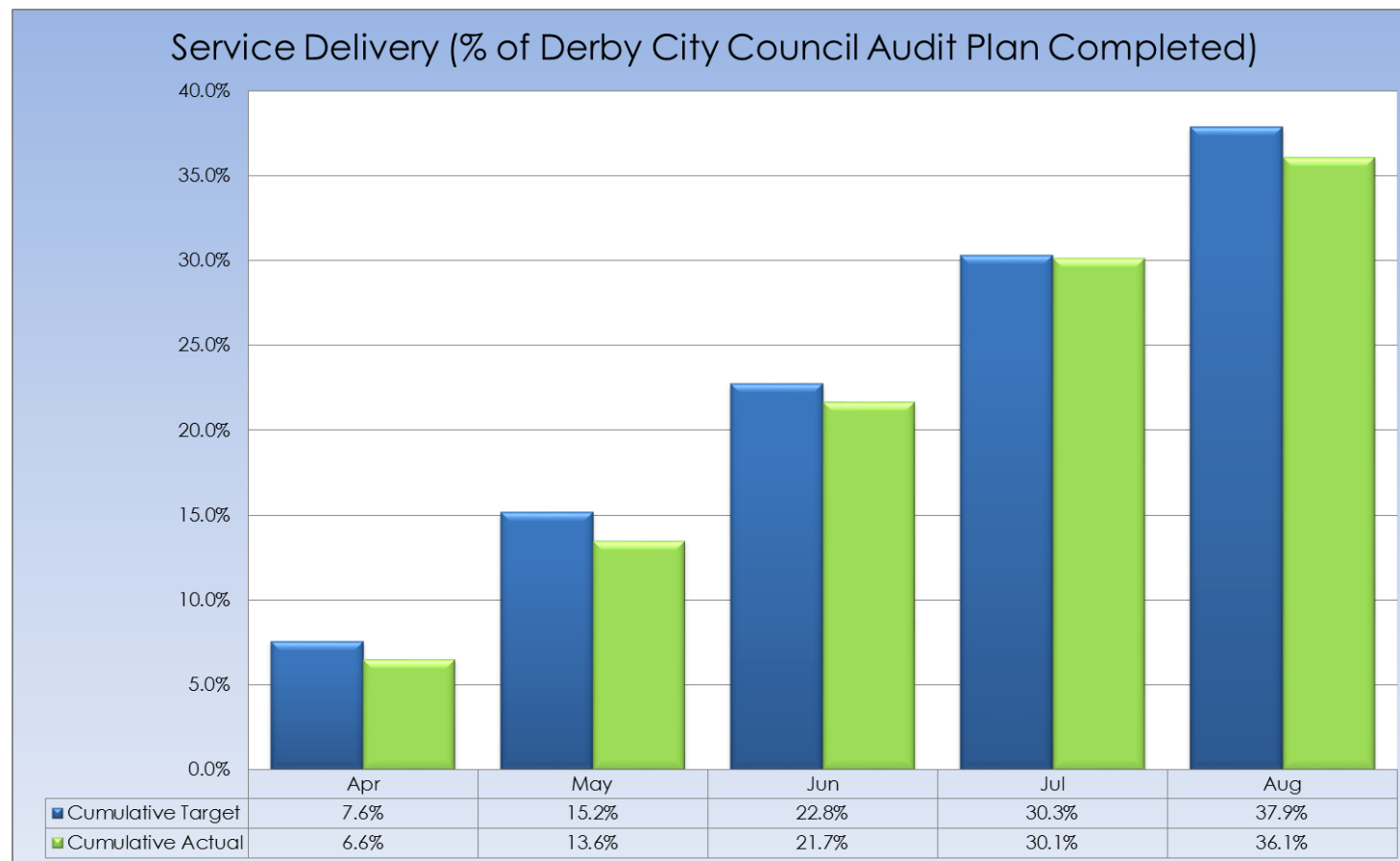# Derby City Council – Internal Audit Progress Report

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 Derby City Council's 2014-15 Audit Plan (including incomplete jobs brought forward) after 5 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.

Service Delivery (% of Derby City Council Audit Plan Completed)

	Apr	May	Jun	Jul	Aug
Cumulative Target	7.6%	15.2%	22.8%	30.3%	37.9%
Cumulative Actual	6.6%	13.6%	21.7%	30.1%	36.1%

Derby City Council – Internal Audit Progress Report

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)

- **Risk Accepted** = Management has decided to accept the risk that Audit has identified and take no mitigating action.

Implementation Status Details

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 April 2013 and 31st May 2014. All recommendations made prior to this period have now been resolved.

	Implemented	Being Implemented	Risk Accepted	Superseded	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	177	19	12	2	8	26	**244**
Moderate Risk	43	12	3	2	4	20	**84**
Significant Risk	2	1	1	1	0	3	**8**
Critical Risk	0	0	0	0	0	0	**0**
Totals	**222**	**32**	**16**	**5**	**12**	**49**	**336**

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

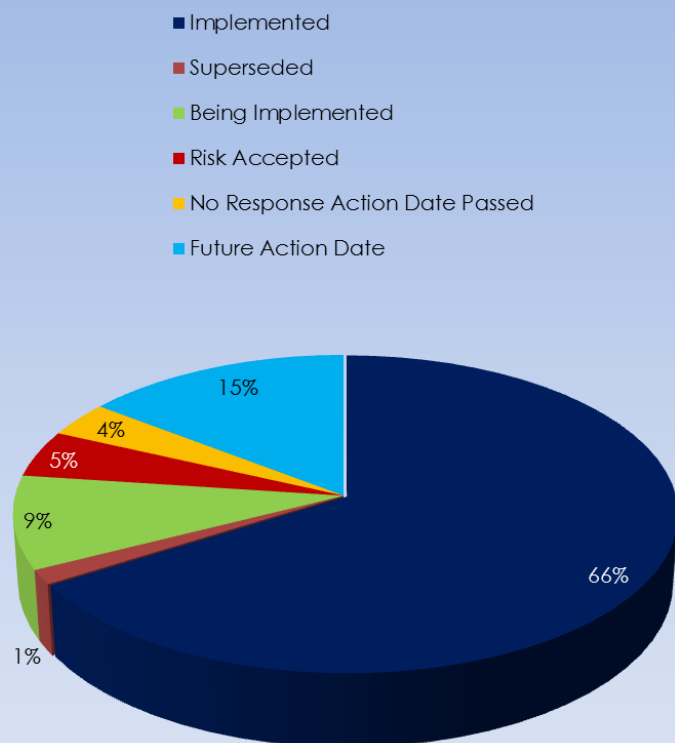| Recommendations Not Yet Implemented	Chief Executives	Children & Young People	Resources	Neighbourhoods	Adults Health & Housing	Totals
Being implemented	4	1	21	6	0	**32**
Due, but unable to obtain progress information	0	0	8	4	0	**12**
Totals	**4**	**1**	**29**	**10**	**0**	**44**

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. The 3 moderate, 1 significant and 5 of the low risk accepted issues shown above have already been reported to this Committee. Another 6 low risk accepted issues are included in summary earlier in this report. The remaining low risk accepted issue relates to the Traffic & Transportation audit assignment, where management had originally agreed to take action, but on reflection, management has now decided to accept the risk associated with the control weakness.

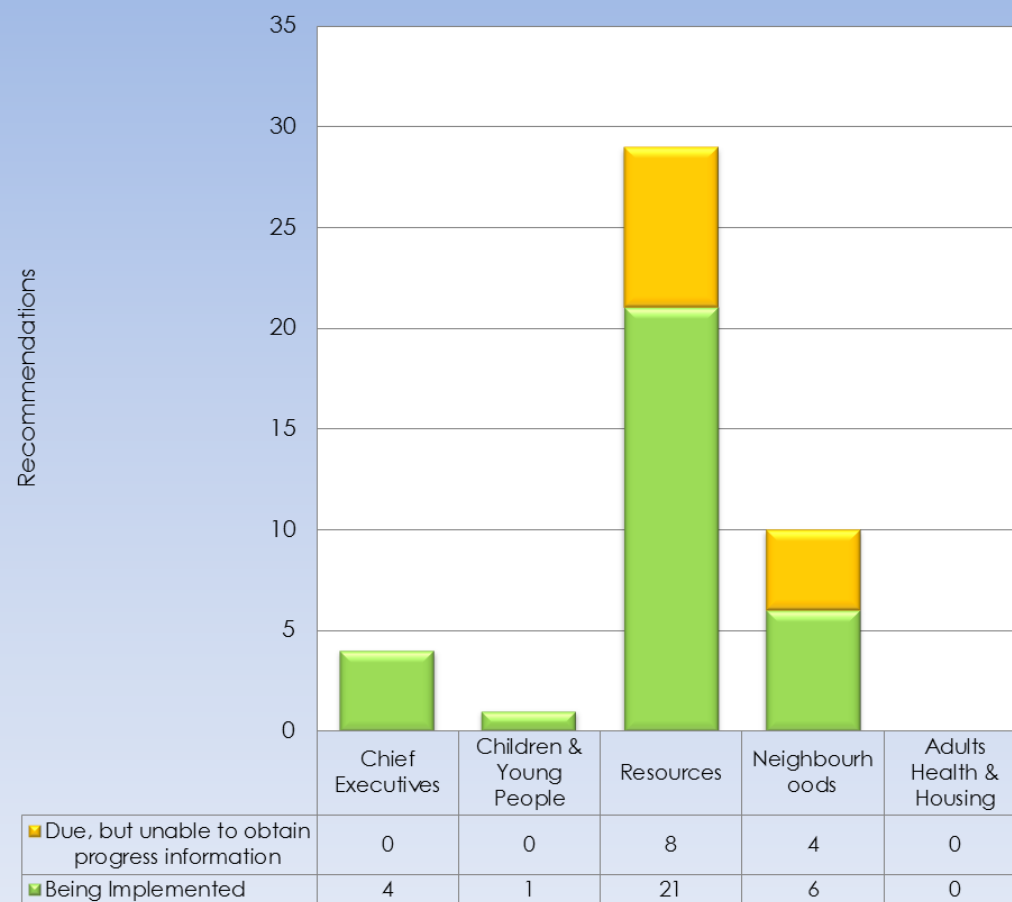# Derby City Council – Internal Audit Progress Report

Recommendation Tracking

Implementation Status Charts

Action Status of Recommendations made between 1st Apr 2013 and 31st Aug 2015

- ■ Implemented
- ■ Superseded
- ■ Being Implemented
- ■ Risk Accepted
- ■ No Response Action Date Passed
- ■ Future Action Date

15%
4%
5%
9%
1%
66%

Recommendations Not Yet Implemented by Department

	Chief Executives	Children & Young People	Resources	Neighbourhoods	Adults Health & Housing
■ Due, but unable to obtain progress information	0	0	8	4	0
■ Being Implemented	4	1	21	6	0

CM
A P central midlands audit partnership

Derby City Council – Internal Audit Progress Report

Recommendation Tracking

Recommendations Not Yet Implemented

Chief Executives

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Unable to Obtain a Response	Final Report Date
Data Quality 2013-4	4	0	14Dec 14
Total No. of Outstanding Recommendations	**4**	**0**	

Children & Young People

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Unable to Obtain a Response	Final Report Date
CYP Establishment	1	0	08-Apr-13
Total No. of Outstanding Recommendations	**1**	**0**	

Neighbourhoods

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Unable to Obtain a Response	Final Report Date
Leisure Facilities	1	0	24-Sep-14
Pest Control & Licensing	0	4	10-Mar-15
Bereavement Services	1	0	31-Jul-15
Asset Management & Estates	3	0	3-Mar-15
Markets	1	0	19-Nov-13
Total No. of Outstanding Recommendations	**6**	**4**	

Derby City Council – Internal Audit Progress Report

Resources

Audit Assignment	No. of Recs Still Being Implemented	No. of Recs Where Unable to Obtain a Response	Final Report Date
GIS Application Security Assessment	4	0	08-Jul-14
Debtors 2014-15	0	1	27-Jul-15
Payroll 2014-15	0	4	30-Jul-15
Business Support	0	2	28-Aug-15
Council Tax 2014-15	1	0	17-Mar-15
Risk Management 2013-14	4	0	26-Feb-14
Payroll 2012-13	1	0	12-Apr-13
Cashiers 2012-13	1	0	29-May-14
Main Accounting System 2013-14	2	0	07-Jan-15
Contracts Register	1	0	16-Dec-13
Information Governance	2	0	11-Dec-13
VOIP Security Assessment	1	0	12-Dec-13
Virtualisation Management	0	1	28-May-15
Workstation Security & Management Operations	3	0	17-Jul-13
Total No. of Outstanding Recommendations	**20**	**8**	

CM
AP central midlands audit partnership