CMAP central midlands audit partnership

Ashfield District Council –
Audit Progress Report
Audit Committee: 27th November 2017

Contents   Page

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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CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Ashfield District Council – Audit Progress Report

Introduction

Role of Internal Audit

The Internal Audit Service for Ashfield District Council is now provided by the Central Midlands Audit Partnership (CMAP). The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the 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 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 Committee in Audit's progress reports.

Ashfield District Council – Audit Progress Report

Audit Coverage

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 31st October 2017.

2017-18 Audit Plan Assignments	Type of Audit	Current Status	% Complete
Corporate Governance	Governance & Ethics Review	Fieldwork Complete	90%
Anti-Fraud & Corruption	Anti-Fraud/Probity/Investigation	Fieldwork Complete	90%
Capital Accounting	Key Financial System	Allocated	
Taxation	Key Financial System	Draft Report	95%
Fixed Assets	Key Financial System	Allocated	
Housing Benefit & Council Tax Support	Key Financial System	Allocated	
Right to Buy	**Systems/Risk Audit**	**Final Report**	**100%**
Depot Income	Systems/Risk Audit	Draft Report	95%
Development Control	Systems/Risk Audit	Draft Report	95%
Markets	Systems/Risk Audit	Allocated	50%
Housing Lettings/Allocations	Systems/Risk Audit	Allocated	
Contract Management	Procurement/Contract Audit	Allocated	
Rent Arrears	Systems/Risk Audit	Allocated	
Responsive Maintenance/Voids (Agile Audit)	**Systems/Risk Audit**	**Final Report**	**100%**
Health & Safety - Gas Safety	Systems/Risk Audit	Allocated	10%
External Wall Insulation Project – Grant Funding	**Grant Certification**	**Complete**	**100%**
Health & Safety	Governance & Ethics Review	Allocated	5%
ECINS Security Assessment	IT Audit	Allocated	25%
ICT Infrastructure	IT Audit	Allocated	
People Management	Systems/Risk Audit	Allocated	65%
Payroll	Key Financial System	Allocated	
Corporate Improvement/Transformation	Governance & Ethics Review	Allocated	
Audit Plan Assignments B/fwd from 2016-17			
Main Accounting Systems 2016-17	**Key Financial System**	**Final Report**	**100%**
xPress Security Assessment	**IT Audit**	**Final Report**	**100%**

5 more audit assignments finalised by August 2017 have already been reported to the Committee.

Audit Plan Changes

With the agreement of the Council's Director of Legal and Governance (& Monitoring Officer) in November 2017, changes were made to the Internal Audit Plan to address emerging risks identified by management.

- Internal Audit have agreed to provide additional resources to investigate a whistle blowing allegation. Additionally, time originally assigned to the Homelessness audit will also be utilised for the whistleblowing investigation and accordingly the Homelessness audit has been withdrawn from the 2017-18 Plan.

Ashfield District Council – Audit Progress Report

Audit Coverage

Completed Audit Assignments

Between 1st September 2017 and 31st October 2017, the following audit assignments reached their conclusion:

1. Main Accounting Systems 2016-17. (**Reasonable**)
2. xPress Security Assessment. (**Reasonable**)

Main Accounting Systems 2016-17

Overall Assurance Rating: Reasonable

The audit sought to provide assurance as to the robustness of controls in the processes for undertaking:

- Key reconciliations.
- Revenue budget monitoring.
- Processing of journals and virements.

From the 26 key controls evaluated in this audit review, 18 were considered to provide adequate control and 8 contained weaknesses. This report contained 7 recommendations all of which were considered to present a low risk. The following issues were considered to be the key control weaknesses:

1. The summary record for key control account reconciliations did not include all key reconciliations, and also included reconciliations which were no longer completed. (Low Risk)

2. Email evidence of the officer preparing the reconciliation had been retained within the Capital Team Accountant's email account; however it was not stored separately in a secure central location. (Low Risk)

3. Corporate Finance did not retain evidence that the reconciliations had been checked by a second officer for all of the reconciliations collected. (Low Risk)

4. There were no procedure notes in place on how to complete the payroll reconciliations. (Low Risk)

5. There were no scheduled budget monitoring meetings between Accountants and budget holders, and there was no requirement to forecast year-end spend. (Low Risk)

6. Records of training provided by Corporate Finance on the General Ledger, Purchase Ledger and budget setting had not been passed to the Training section for recording on the employees file. (Low Risk)

7. Testing identified one employee at a grade below Accountant who had been given access to authorise journals. (Low Risk)

The issues raised within this report were accepted. Management had taken action to address all issues by the time the final report was issued.

xPress Security Assessment

Overall Assurance Rating: Reasonable

The audit focused on the security, configuration and management of the Council's xPress (electoral management system) systems underlying server infrastructure, namely NODE48, the database server which hosted the xPress live and test databases, and NODE210, the application server which runs the xPress system.

From the 50 key controls evaluated in this audit review, 37 were considered to provide adequate control and 13 contained weaknesses. This report contained 9 recommendations, 7 of which were considered to present a low risk and 2 presenting a moderate risk. Another 2 minor risk issues were

Ashfield District Council – Audit Progress Report

highlighted for management's consideration. The following issues were considered to be the key control weaknesses:

1. A SQL script was exposing a privileged database account's password in plain text to a significant number of users. (Moderate Risk)

2. Neither logon success or logon failure auditing were enabled on NODE48 (the database server hosting the xPress databases). (Low Risk)

3. Access control lists for file shares on the xPress application server did not correspond with the list of actual users with access to the system, by a margin of almost 100 users, which may lead to privacy violations. In addition on some file shares on the server, non ICT staff had full control which may present additional opportunities for users to grant access to sensitive data. (Moderate Risk)

4. A small number of ex-employees still had active domain accounts and access to the sensitive electoral files on NODE210 at the time of testing, such as registration forms. (Low Risk)

5. The SQL Server service accounts on NODE48 were members of the domain administrators group which does not comply with Microsoft security best practices. (Low Risk)

6. A number of user and system databases (including tempDB) were located on the servers system drive, which can pose a performance and capacity risk which could impact all applications that rely on these databases, including xPress. (Low Risk)

7. 3 databases on NODE48 had auto-shrink configured which can cause database fragmentation, leading to performance issues and possibly service outages. (Low Risk)

8. Neither the live nor test xPress database had been subject to DBCC CHECKDB routine in almost 12 months, which does not comply with the Microsoft suggested best practice of checks every 2 weeks. (Low Risk)

9. Page verification had not been configured for 7 databases in line with best practice. (Low Risk)

All of the issues raised were accepted and action had already been taken to address 3 of the issues raised by the end of the audit. Three more of the issues were to be addressed by the 31st October 2017 and the final three low risk issues were to be addressed by 31st December 2017.

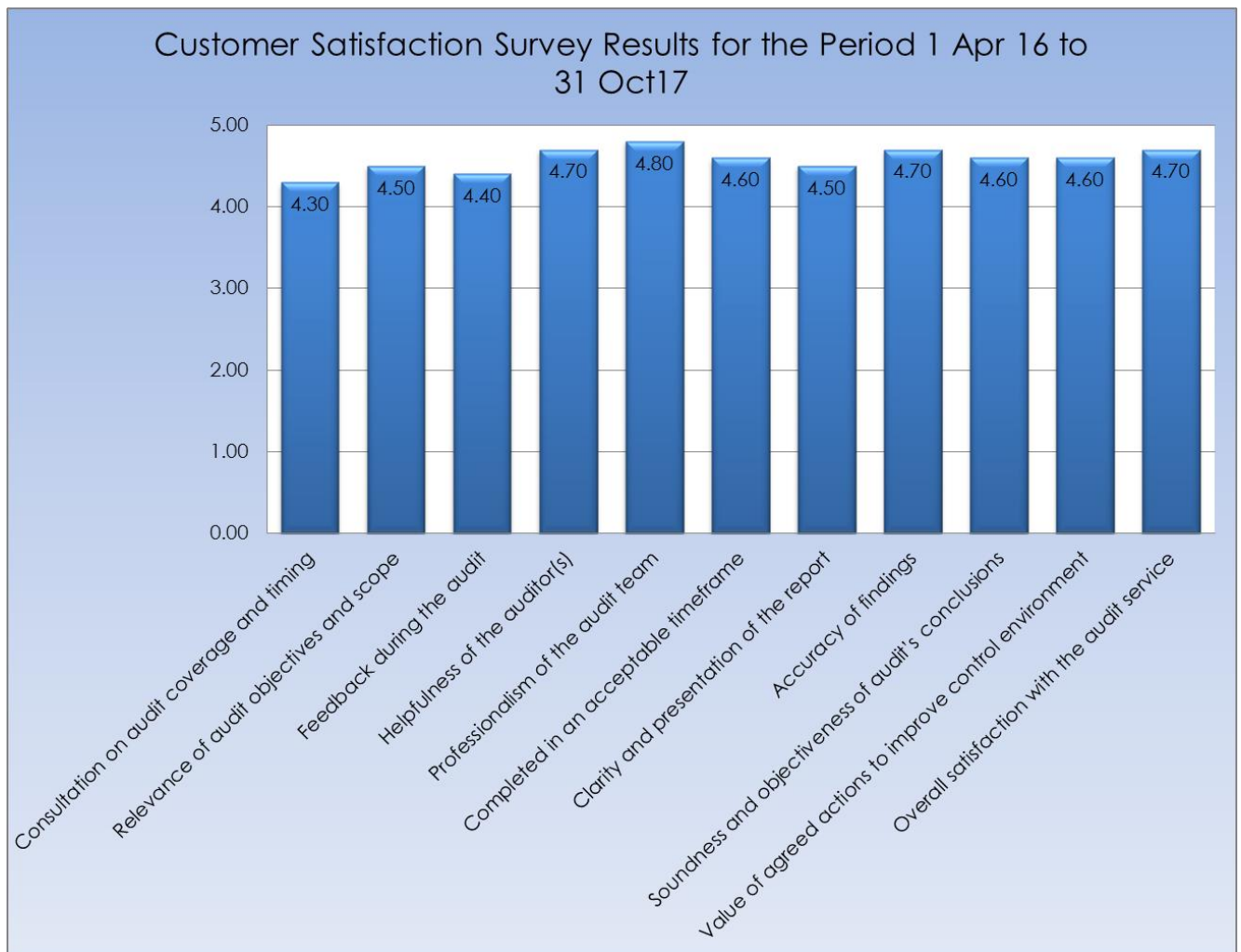# Ashfield District Council – Audit Progress Report

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 9 responses received between 1st April 2016 and 31st October 2017. The overall average score from the surveys was 50.4 out of 55.

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)

Of the 10 responses received to date, 9 categorised the audit service they received as excellent and the other 1 as good.

Customer Satisfaction Survey Results for the Period 1 Apr 16 to 31 Oct17

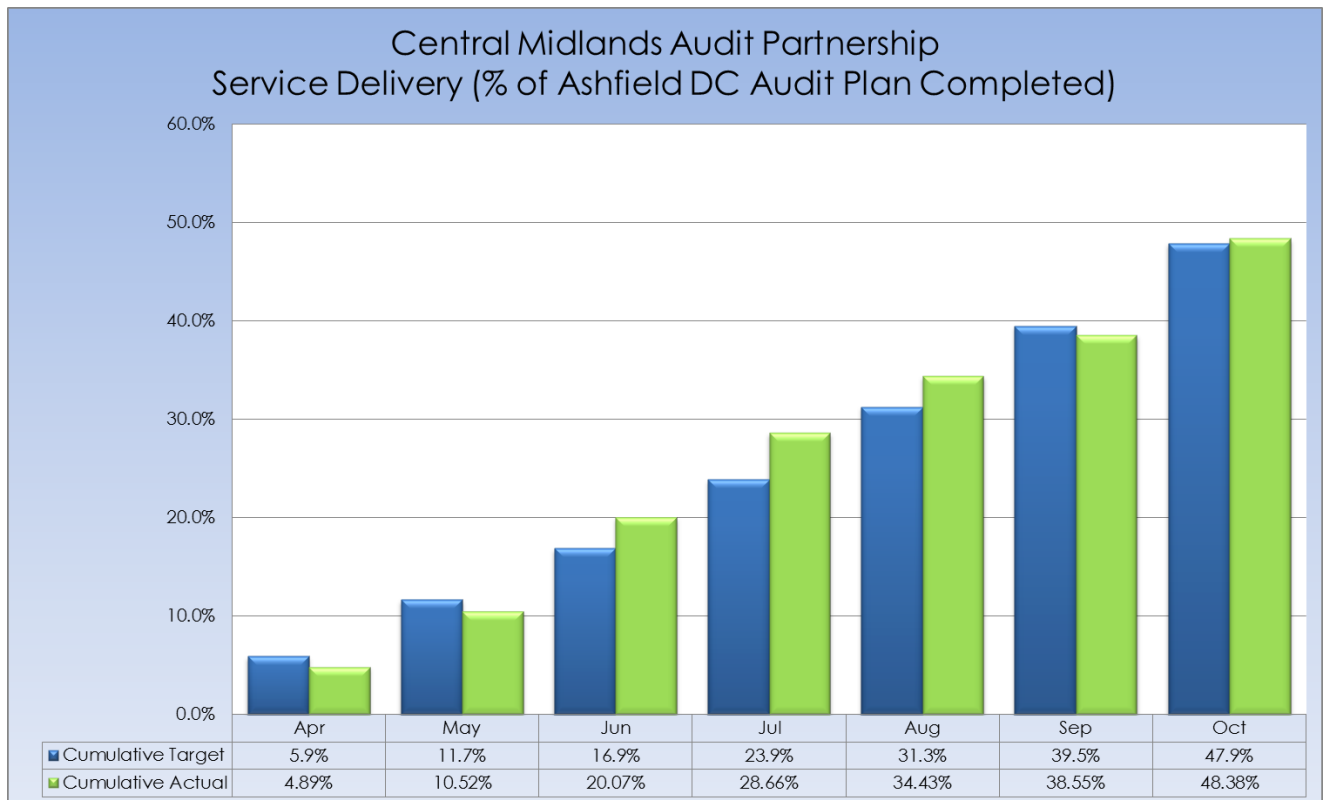# Ashfield District Council – Audit Progress Report

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 below is the estimated percentage complete for Ashfield DC 2017-18 Audit Plan (including incomplete jobs brought forward) after approximately 7 months of the Audit Plan year.

The monthly target has been profiled to reflect the expected productive time available each month, but still assumes that time will be spent evenly over each partner organisation in proportion with their contributions which is not always the case.

Central Midlands Audit Partnership
Service Delivery (% of Ashfield DC Audit Plan Completed)

	Apr	May	Jun	Jul	Aug	Sep	Oct
Cumulative Target	5.9%	11.7%	16.9%	23.9%	31.3%	39.5%	47.9%
Cumulative Actual	4.89%	10.52%	20.07%	28.66%	34.43%	38.55%	48.38%

Ashfield District Council – Audit Progress Report

Recommendation Tracking

Follow-up Process

The Council has operated its own procedure for monitoring the implementation of agreed Audit recommendations. This process will now be undertaken by Internal Audit.

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

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:

- **Action Due** = Action is due and Audit has been unable to ascertain any progress information from the responsible officer.
- **Future Action** = 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 the 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 2016 and 15th November 2017:

	Implemented	Being Implemented	Risk Accepted	Superseded	Action Due	Future Action	Total
Low Risk	79	11	2	0	1	11	**104**
Moderate Risk	17	3	0	0	2	0	**22**
Significant Risk	0	0	0	0	0	0	**0**
Critical Risk	0	0	0	0	0	0	**0**
Totals	**96**	**14**	**2**	**0**	**3**	**11**	**126**

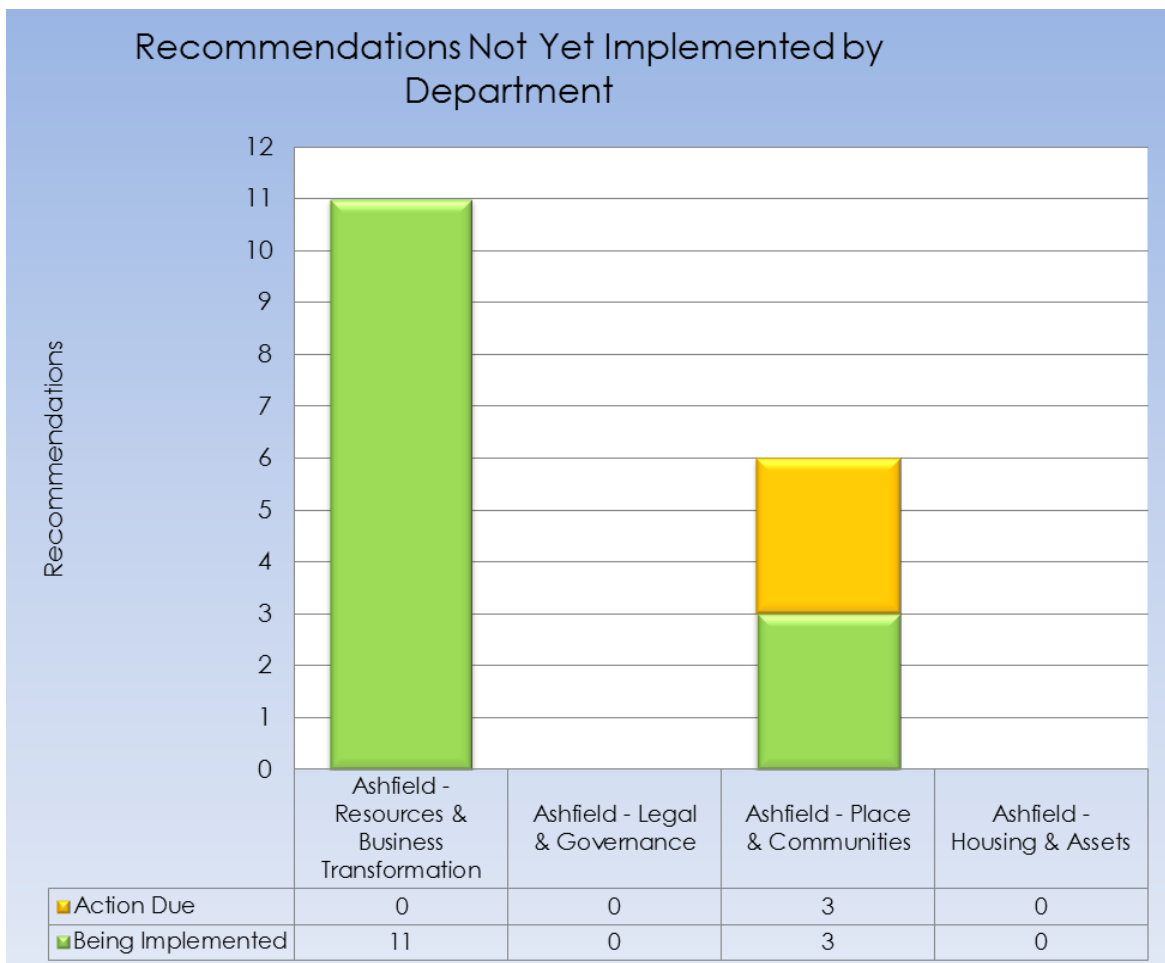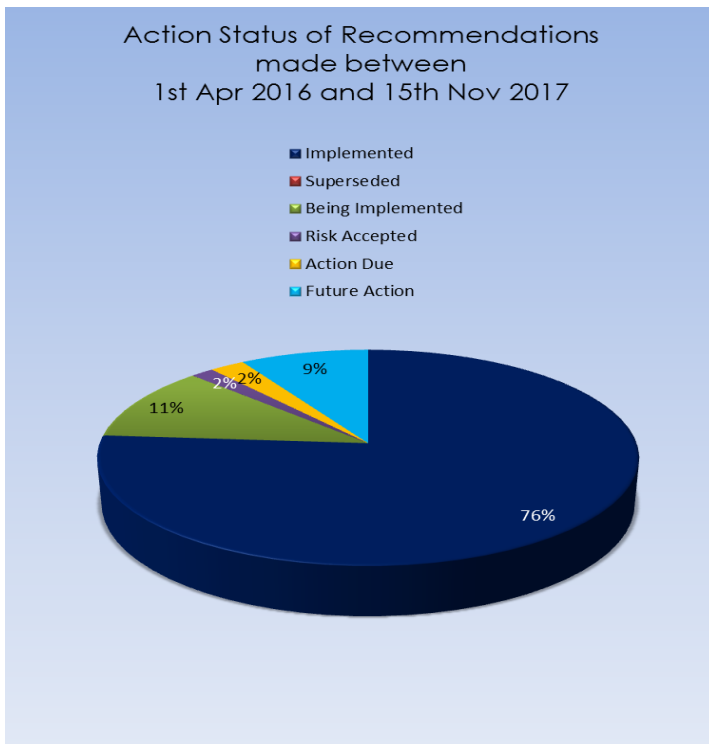The table below shows those recommendations not yet implemented by dept.

Recommendations Not Yet Implemented	Resources & Business Transformation	Legal & Governance	Place & Communities	Housing & Assets	Totals
Being Implemented	11	0	3	0	**14**
No progress information	0	0	3	0	**3**
	11	**0**	**6**	**0**	**17**

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 any moderate, significant or critical risk issues where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above). Both of the risk accepted issues shown above have already been reported to this Committee.

Ashfield District Council – Audit Progress Report

Recommendation Tracking

Implementation Status Charts

Action Status of Recommendations made between
1st Apr 2016 and 15th Nov 2017

- Implemented
- Superseded
- Being Implemented
- Risk Accepted
- Action Due
- Future Action

Recommendations Not Yet Implemented by Department

	Ashfield - Resources & Business Transformation	Ashfield - Legal & Governance	Ashfield - Place & Communities	Ashfield - Housing & Assets
Action Due	0	0	3	0
Being Implemented	11	0	3	0

Ashfield District Council – Audit Progress Report

Recommendation Tracking

Highlighted Recommendations

We have included this section of this report to bring recommendations to your attention for the following reason:

- Any Moderate, Significant or Critical risk recommendations (either being implemented or with no response) that have passed their original agreed implementation date.

- Any Low risk recommendations still being implemented where it has been more than a year since the original agreed implementation date or those with no response where it has been more than 3 months since the original agreed implementation date.

Resources & Business Transformation

Business Continuity & Emergency Planning

Control Issue 2 - There were numerous Business Continuity Service Area Plans and Critical Plans that were not in place or up-to-date. The Business Continuity Plans for the Housing Services Directorate (formerly Ashfield Homes Ltd.) should have been reviewed at various dates in 2016, however this had not happened.

Risk Rating – Moderate Risk

Status Update - Nearly there with all BC service plans but now cross referencing the critical functions and identifying gaps. The exception report on BC service plans didn't go to CLT as was waiting for the Critical functions to be attached. There is a cross checking exercise matching the critical functions identified in BC Service plans against the actual plans and also where they have previously been rated (RAG). Despite repeated chasing plans are not forthcoming and therefore the programme of testing is being implemented - firstly to underpin the robustness of the BC programme but also to identify weaknesses and where additional plans may be required.

Original Action Date   30 Apr 17   Revised Action Date   31 Oct 17

Control Issue 4 - The red rated Critical Plans and Business Continuity Plans had not been included on the Resilience Direct Website.

Risk Rating – Moderate Risk

Status Update - Nearly there with all BC service plans but now cross referencing the critical functions and identifying gaps. The exception report on BC service plans didn't go to CLT as was waiting for the Critical functions to be attached. There is a cross checking exercise matching the critical functions identified in BC Service plans against the actual plans and also where they have previously been rated (RAG). Despite repeated chasing plans are not forthcoming and therefore the programme of testing is being implemented - firstly to underpin the robustness of the BC programme but also to identify weaknesses and where additional plans may be required.

Original Action Date   31 May 17   Revised Action Date   31 Oct 17

Place & Communities

Safeguarding

Control Issue 5 - Review of HR recruitment checks done for 10 new starters identified 3 cases where there was no evidence that the recruitment checking procedures had been followed.

Risk Rating – Moderate Risk

Status Update – Review of the recruitment strategy has been completed and the process for completing DBS checks has been changed. HR Advisers are currently progressing any checks that need renewing.

Original Action Date   31 Mar 17   Revised Action Date   30 Sept 17

Ashfield District Council – Audit Progress Report

New Cross Initiative

Control Issue 5 - Sensitive information was at risk of being emailed outside of the GCSX secure network, as Team leaders were unsure how and when to use it, potentially in breach of the Data Protection Act.

Risk Rating – Moderate Risk

Status Update - No Response Received

Original Action Date   1 October 17   Revised Action Date   n/a

Ashfield District Council – Audit Progress Report

Status of Previous Audit Recommendations

Recommendations Not Implemented

There were a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. One legacy recommendation remains outstanding relating to Ashfield Homes Ltd. This will continue to be monitored and details are provided below.

Ashfield Homes Ltd – Outstanding Recommendations

	Report	Recommendation	Responsible officer	Due date	Update
C	Housing Maintenance 15/16-10	The full review of the in-house Schedule of Rates is given an end target date, and progress is monitored and reported to SMT.	Responsive and Voids Maintenance Manager& Support Services Manager	31/03/18	A full programme is in place to complete the review of the schedule of rates. Progress of this will be monitored through Senior Management Team Update 16/11/2016 Potentially looking at buy off the shelf paperless system and therefore changing the system altogether. Update 01/02/2017 – No further updates. Any action has been put on hold as there is a service review underway. Update 10/07/2017 – The full review of in-house Schedule of Rates is now in progress.