

Agenda Item No.4 c

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

23 March 2021

Report of the Director of Finance & ICT

EXTERNAL AUDIT - UPDATE ON 2019-20 INTERNAL CONTROL
RECOMMENDATIONS

1 Purpose of the Report

To provide Audit Committee with an update of the actions taken in response to the recommendations outlined in the external auditor's Audit Completion Reports for 2019-20.

2 Information and Analysis

The external auditor presented its 2019-20 Audit Completion Reports at the Audit Committee meeting on 24 November 2020.

Six recommendations were raised in respect of the Council Accounts. Below is a summary and progress update:

- **Completeness of related party declarations** – One Councillor had not declared their membership of another public sector body. Whilst no inherent conflicts of interest were involved and it was acknowledged that this may simply have been an oversight, good practice encourages full disclosures to ensure transparency. A reminder e-mail has been sent to all Elected Members to ensure they keep their Register of Interests up to date. Following the Council elections in May 2021, a regular quarterly reminder will be sent.
- **Private Finance Initiative (PFI) records** - Original documents could not be located for PFI Phase 1 and no financial model was available for PFI Phase 3. Officers could not access physical documents located at the Council because of restrictions due to the Covid-19 pandemic. The Council will review the availability of supporting information in relation to the PFI and endeavour to locate these physical documents, as soon as restrictions are lifted, and officers are able to safely access the Council's buildings.

- **Property valuation** – Minor floor area data differences between the Computer Aided Design (CAD) plans and the Gross Internal Areas (GIAs) in the Asset Management System were noted, although there had been no physical changes. The Core Data team are currently in the process of carrying out full site inspections and re-measures of all Council owned sites. This is an ongoing process and generally is aligned to the rolling programme, so the most accurate data possible is used in the valuation. There is an audit trail of this process and subsequent updates following receipt of Property Notification System alerts.
- **Developer access rights** – Four Basis staff users can transport changes to the system which are fixes for issues or patches provided by SAP ('transports'). Any transports are subject to a division of duties to ensure that the change is not undertaken by a single individual. Transports are documented and authorised, like any other change that goes through the system. These transports will be reviewed at the end of the financial year, to ensure no 'developments' have been implemented. This review will also highlight any transporting of own changes, which is against policy. All roles and security access will be reviewed as part of the SAP upgrade project.
- **Response to IT incidents** - IT Incidents are not always followed up and resolved in a timely manner. The procurement of new IT service management software is in its final stages. Award of contract is expected before the end of March 2021. It is anticipated that implementation will commence in early April 2021 and will create better visibility of all incidents and problems for key stakeholders and resolution owners, enabling them to be clearly identified and reported on. Processes will be put in place to ensure incidents are dealt with in a timely manner.
- **User access reviews** - User access reviews, including reviews of user access rights, were recorded as not being performed in respect of SAP. However, reviews of user access are carried out and will continue to be performed. This includes inactive users, users that have not logged in, leavers and those with access to specific transactions. SAP access is assigned via position in the organisational ('org') structure. When a member of staff leaves a post or has an end date input, they immediately lose their access. This process and the reviews will be documented. All roles and security will be reviewed as part of the SAP upgrade project.

No recommendations were raised in respect of the Derbyshire Pension Fund Accounts.

A detailed update on the actions being taken in response to the 2019-20 control recommendations is attached at Appendix One.

3 Considerations

In preparing this report the relevance of the following factors has been considered:- financial, human resources, legal and human rights, equality of opportunity, health, environmental, transport, property, crime and disorder and social value considerations.

4 Background Papers

Papers held electronically by Technical Section, Finance & ICT Division, Room 137.

5 Officer's Recommendation

That Audit Committee notes the actions being taken in response to the recommendations outlined in the external auditor's Audit Completion Reports for 2019-20.

PETER HANDFORD

Director of Finance & ICT

2019-20 Recommendations

Recommendation	Management Response	Responsible Officer	Update
<p>Derbyshire County Council</p> <p>Controls in place regarding the completeness of related party declarations</p> <p>During our testing of related parties, it was found that a Councillor had not declared their membership of another public sector body. Whilst there were no inherent conflicts of interest involved and it is acknowledged that this may simply have been an oversight, good practice encourages full disclosures to ensure transparency. The Council should ensure that full disclosures are made and should emphasise the importance of full disclosures.</p>	<p>Agreed - Related party declarations should be complete, and the importance of full disclosures will be emphasised.</p>	<p>Helen Barrington</p>	<p>A reminder e-mail has been sent to all Elected Members to ensure they keep their Register of Interests up to date. Following the election in May 2021, a regular quarterly reminder will be sent.</p>
<p>Private Finance Initiative (PFI) records</p> <p>During the course of the audit it became apparent that no original documents had been kept for Phase 1 of the PFI and no financial model was available for Phase 3 of the PFI, leading to difficulty in substantiating the validity of PFI payments/costs. The Council should review the availability of supporting information in relation to the PFI.</p>	<p>Agreed - Whilst documents could not be located during the audit in respect of Phase 1 of PFI, this may have been because the relevant officers could not access physical documents located at the Council because of restrictions due to the Covid-19 pandemic. Electronic documents were located in respect of Phase 2 and BSF. The Council will review the availability of supporting information in relation to the PFI and endeavour to locate these physical documents, as soon as restrictions are lifted, and officers are able to safely access the Council's buildings.</p>	<p>-</p>	<p>Restrictions have yet to be lifted and officers are as yet unable to safely perform the search to try and locate these physical documents.</p>

2019-20 Recommendations

<p>Extension to a property</p> <p>In our testing of property valuations, we identified that extensions to buildings were not included in the valuation assessment as at 31 March 2020. Whilst the amount involved was below triviality the Council should have processes in place to identify any extensions and account for them correctly. This could lead to a failure to value properties that are extended. The Council should review its processes to identify any extensions and account for them correctly.</p>	<p>Rather than relating to extensions to buildings, the Council understands that the difference resulted from minor floor area data differences between the Computer Aided Design (CAD) plans and the Gross Internal Areas (GIAs) in the Asset Management System. There have been no physical changes. The Council (Property) has altered the data to match the CAD plans. In addition, a new Property Notification System is now in place to alert when re-measures are required.</p>	<p>Geraldine Massey</p>	<p>The Core Data team are currently in the process of carrying out full site inspections and re-measures of all the Council owned sites. This is an ongoing process and generally is aligned to the rolling programme so the most accurate data possible is used in the valuation. An audit trail of this process and subsequent updates following receipt of Property Notification is in place.</p>
<p>Developer access rights</p> <p>Users who have the ability to transport SAP changes to live are also involved in development of changes. Developers could promote changes to the live environment without oversight from senior management or approval from the Council. This could be exploited later in the live environment. Management should consider implementing and documenting a periodic review covering all users and their access rights within key applications and underlying infrastructure. The review should also include inactive users or those who have not logged on for a period of time (say 90 days), and generic accounts (if any).</p>	<p>Agreed - There are a limited number of four users who can transport changes to the system, these are Basis staff not developers. Developer staff do not transport changes through the system. The changes they transport are fixes for issues or patches provided by SAP. Any transports implemented by Basis staff are subject to a division of duties to ensure that the change is not undertaken by a single individual. Basis transports are documented and authorised, like any other change that goes through the system. The Council agrees to document the process and undertake periodic reviews.</p>	<p>Wayne Sutton</p>	<p>The transports that Basis staff have instigated will be reviewed at the end of the financial year. This will ensure they have not implemented any 'developments'. It will also highlight if they have transported any of their own changes. This would be against policy. All roles and security access will be reviewed as part of the SAP upgrade project.</p>

2019-20 Recommendations

<p>Response to IT incidents</p> <p>IT Incidents are not always followed up and resolved in a timely manner. Unresolved incidents could cause interruptions in the availability of key systems for prolonged periods. The Council should ensure that IT incidents are followed up in a timely manner.</p>	<p>Agreed - The Council is in the final stages of procurement of new IT Service Management Software. It is expected that this will be implemented in the first quarter of 2021. This software will create better visibility of all incidents and problems for key stakeholders and resolution owners, enabling them to be clearly identified and reported on. New operating procedures will also be introduced to enable key performance indicators (incident service level management and unresolved issues) to be reviewed and acted upon by the Service Desk Team. This should ensure that no incidents are left open for an unreasonable amount of time and that the assigned incident resolution team is clearly identifiable and accountable for each and every incident. The Council expects this work strand to be completed by April 2021 at the latest.</p>	<p>Rob Pearson</p>	<p>The procurement of the new IT service management software is in its final stages. Award of contract is expected before the end of March 2021. Despite a slight delay in completion, it is anticipated that implementation will commence in early April 2021 and will create better visibility of all incidents and problems for key stakeholders and resolution owners, enabling them to be clearly identified and reported on. Processes will be put in place to ensure incidents are dealt with in a timely manner.</p>
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2019-20 Recommendations

<p>User access reviews</p> <p>User access reviews including reviews of user access rights were not performed for SAP. User access rights may not be up to date for all users. Management should consider implementing and documenting a periodic review covering all users and their access rights within key applications and underlying infrastructure. The review should also include inactive users or those who have not logged on for a period of time (say 90 days), and generic accounts (if any).</p>	<p>Agreed - Reviews of user access are carried out approximately every four months. This includes inactive users, users that have not logged in, leavers and access to specific transactions. SAP access is assigned via position in the organisational ("org") structure. When a member of staff leaves a post or has an end date input, they immediately lose their access. The Council agrees to document the process and to ensure that when reviews are undertaken they are recorded.</p>	<p>Wayne Sutton</p>	<p>User access reviews continue to be performed. All roles and security will be reviewed as part of the SAP upgrade project.</p>
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