

City of Durham

At a Meeting of the **AUDIT OVERVIEW COMMITTEE** held in the Gala Theatre, Durham, on Thursday 4<sup>th</sup> October, 2007, at 5.30 p.m.

**Present:** Councillor Walker (in the Chair)  
and Councillors Dickie, Jackson and Martin.

**273. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor D. Smith.

**274. MINUTES**

The Minutes of the Meeting held on 12 July, 2007, were confirmed as a correct record and signed by the Chairman.

**Report of the Director of Strategic Resources**

**275. STRATEGIC AUDIT PLAN  
2006/2007 ANNUAL AUDIT PLAN OUT-TURN  
PROGRESS REPORT FOR THE PERIOD 1<sup>st</sup> APRIL 2007 TO 31<sup>st</sup> MAY 2007**

The Director of Strategic Resources submitted a comprehensive report that covered the Fraud and Corruption Policy and compared the actual work undertaken by Internal Audit with that planned for the period 1<sup>st</sup> April, 2007, to 31<sup>st</sup> August, 2007.

**Resolved:** (i) That the contents of the Progress Report for the 1<sup>st</sup> April, 2007 to the 31<sup>st</sup> August, 2007 be noted.

(ii) That the Fraud and Corruption Policy be approved.

**276. IN PRIVATE**

**Resolved:** That pursuant to Section 100.A(4) of the Local Government Act 1972 the public be excluded from the remainder of the Meeting during consideration of the item listed in Column 1 below, being a report of the Officer mentioned in Column 2 below on the grounds that if members of the public were present during discussion of this item there would be disclosure to them of exempt information (as defined in Section 100.I) of the description indicated in Column 3 below.

Column 1	Column 2	Column 3
Special Investigations	Director of Strategic Resources	Information relating to any individual (Para 1)
		Information which is likely to reveal the identify of an individual (Para.2)
		Information relating to the financial or business affairs of any particular person (including the Authority holding the information) (Para.3)

Information relating to any action  
taken or to be taken in connection  
with the prevention, investigation or  
prosecution of crime  
(Para.7)

**Report of the Director of Strategic Resources**

**277. SPECIAL INVESTIGATIONS**

The Director of Strategic Resources and the Head of Internal Audit reported that there had been no special assignments.

**Resolved:** That the report be noted.

The Meeting terminated at 6.45 p.m.

Chairman

**CITY OF DURHAM****AUDIT OVERVIEW COMMITTEE****17<sup>th</sup> JANUARY 2008****REPORT OF THE DIRECTOR OF FINANCIAL SERVICES****1. PROGRESS REPORT FOR THE PERIOD 1<sup>ST</sup> APRIL 2007 TO 30<sup>TH</sup> NOVEMBER 2007****1.1 Introduction**

This report will compare the actual work undertaken by Internal Audit with that planned for the period 1<sup>st</sup> April 2007 to 30<sup>th</sup> November 2007.

**1.2 Progress Report**

1.2.1 In the period 1<sup>st</sup> April 2007 to 30<sup>th</sup> November 2007, the following work was undertaken and compares to the plan as shown below:

<b>Annual Plan Audit Days</b>		<b>Cumulative Planned Audit Days</b>	<b>Cumulative Actual Audit Days</b>	<b>Variance Audit Days</b>
460.00	Non productive time	296.67	294.67	(2.00)
244.00	Management & Administration non chargeable	162.67	236.47	73.80
87.00	Management & Administration chargeable	58.00	28.10	(29.90)
580.00	2007/2008 Audit Plan	478.00	305.83	(172.17)
40.00	Follow Up work	30.00	29.43	(0.57)
155.00	Contingencies & Special Investigations	103.33	220.23	116.90

A more detailed analysis is given in Appendix 'A', together with an up to date position for all audit assignments allocated.

1.2.2 As already reported the revised Audit Plan is now comprised of 58 audit assignments, one of which (08/28 IT internal penetration testing) has been outsourced, and one of which (08/52 InPrint) is being carried out by Derwentside District Council's Internal audit Team as the "lead" authority on the InPrint partnership. A summary report in respect of audit number 08/28 (IT internal penetration testing) is attached as a separate item on this report and will be presented by the Head of Information Services. (Appendix F). Details of any findings and recommendations in respect of 08/52 (InPrint) will be reported to Audit Overview as soon as they are available.

- 1.2.3 From the revised plan of 58 assignments 34 have been completed (59%) 1 of which is at draft stage and 4 at post audit stage. Of the 14 agreed assignments covering the Councils critical business systems, 8 out of 14 (57%) have been completed 3 of which are at post audit stage. Work is nearing completion on one further assignment which is expected to have been completed by the date of the Audit Overview Committee meeting.
- 1.2.4 In total 25.97 audit days have been spent completing a number of audits relating to the 2006 / 2007 audit plan. This has been met from the contingency provision. This is a significant reduction on the time taken to complete audits carried forward from 2005 / 2006 to 2006 / 2007 which was in excess of 80 days.
- 1.2.5 Internal Audit has relocated from High Street, Durham to Annand House at Meadowfield and now report to the Director of Financial Services, being co-located with all other sections within Financial Services The move took place over two days (1<sup>st</sup> and 2<sup>nd</sup> November 2007) and this time has been met from the contingency provision.
- 1.2.6 A significant number of the internal audit assignments considered as business critical by the Audit Commission are carried out within services based at Annand House. There are considerable time/efficiency savings as a result of this re-location.
- 1.2.7 Major projects carried out during the year which were not included in the original audit plan are detailed below. All of this work has been met from the contingency provision.
- ◆ BVPI 12 Sickness – investigation of methodology, data cleansing and recalculation (19.47 days)
  - ◆ Furniture packs (19.03 days)
  - ◆ Building control (7.87 days)
  - ◆ NWA (4.80 days)
  - ◆ Cash receipting procedures (4.57 days)
  - ◆ New Code of Corporate Governance (3.13 days)
  - ◆ Tenants contents insurance (2.33 days)
  - ◆ Supporting people (14.57 days)
- 1.2.8 At the previous meeting it was reported that despite a number of challenges over the first six months, the audit team were confident of bringing the audit plan up to date by the end of September. Whilst significant progress was made particularly compared to previous years, the loss of the Principal Auditor due to sickness in early November and the audit assistant from the 1<sup>st</sup> October has resulted in an unwelcome setback. Early indications show that the Principal Auditor will be absent until at least early in the New Year. Efforts are being made to facilitate a return to work at the earliest opportunity for both of these members of staff.
- 1.2.9 Performance against the key local performance indicators for the period 1<sup>st</sup> April 2007 to the 30<sup>th</sup> November 2007 are shown below compared with the same period last year:-

2006/2007			2007/2008	
number	%	Indicator	number	%
28 (2 at draft stage)	44	Number of audits undertaken and completed	34 (1 at draft stage) (4 at post audit)	59
124	-	Number of recommendations made	160	-
124	100	Number of recommendations agreed	154	96
0	-	Number of recommendations not agreed	3	-
0	-	Number of recommendations partly agreed	3	-
-	43.5	Number of draft reports issued within 10 working days of closure meeting	-	56
-	72.75	Final report and recommendation action plan issued within 5 working days of the post audit meeting	-	58
-	26	% of recommendation action plans signed off and returned within 5 working days of issue	-	65
116		Number of recommendations implemented since 1/04/07 (Some relate to audits carried out in previous years)	279	-
n/a	n/a	Number of Recommendations withdrawn	17	-
-	92	% of Post audit questionnaires completed and returned	-	75
-	74	% Post audit meetings held within 10 working days of the issue of the draft report	-	42

1.2.10 Follow ups have been carried out for recommendations due to be implemented up to the end of September 2007. In total there are 110 recommendations outstanding which have yet to be followed up:

- 36 outstanding recommendations relating to recommendations due to be implemented up to the end of September are still to be carried out.

- 56 outstanding recommendations relating to recommendations due to be implemented between the 1<sup>st</sup> October 2007 and the 31st December 2007 will be followed up in January
- There are 18 recommendations due to be implemented between January 2008 and August 2008.

1.2.11 Details of recommendations that have been subject to escalation to Directors/Heads of Service is attached at Appendix B

1.2.12 A list of recommendations that have subsequently been withdrawn, including the reasons for this are attached at Appendix C

1.2.13 The loss of the Principal Auditor and the Audit assistant has had a direct effect on the performance of the section as appointments have had to be cancelled and re-arranged as well as balancing administrative duties of the service. This has been further exacerbated by the temporary loss of two other members of staff in the last week of November and the first week of December due to professional examinations and associated study/annual leave.

1.2.14 Recommendations partly agreed and not previously reported are attached at Appendix D

1.2.15 Recommendations not agreed and not previously reported are attached at Appendix E

## **2. AUDITS COMPLETED IN 2007/08 (excluding items already reported)**

### **2.1 Audits assessed as EXCELLENT and awarded an audit opinion score of 1**

Internal audit reviewed the following systems where given the nature of the risks involved in the achievement of the control objectives, key controls and other parts of the internal control system are working effectively and provides full assurance that risks material to the achievement of the control objectives are adequately managed.

#### **Asset register**

Internal controls are working effectively, risks are being adequately managed. No recommendations were made. Staff are to be congratulated for their efforts.

### **2.2 Audits assessed as GOOD and awarded an opinion score of 2**

Internal audit reviewed the following systems where given the nature of the risks involved in the achievement of the control objectives key controls and other parts of the internal control system are considered to be working effectively and provides substantial assurance that risks material to the achievement of the control objectives are adequately managed.

#### **Council Tax**

Internal controls are working effectively, risks are being adequately managed, only very minor issues were highlighted. No recommendations were made. Staff are to be congratulated for their efforts.

#### **Risk Management**

Main recommendations were in respect of inconsistencies in the recording of incidents, by Services; the need to review action plans at least quarterly; retention of evidence and the need to review job descriptions to include risk management responsibilities. All recommendations were agreed

### **2.3 Audits assessed as SATISFACTORY and awarded an audit opinion score of 3**

Internal Audit reviewed the following systems where given the nature of the risks involved in the achievement of the control objectives key controls are adequate but other parts of the internal control system requires corrective action. This provides reasonable assurance that risks material to the achievement of the control objectives are adequately managed.

#### **Payroll**

Main recommendations included making better use of the COGNOS reporting facility; the communication and exchange of information with other services, inconsistencies with data storage and computer access levels. All recommendations were agreed.

#### **Coxhoe Sports Centre**

Main recommendations related to computer access levels, evidence for cashing up and the reconciliation of Leisure Finance income. Two recommendations were only partly agreed, where part responsibility of the recommendation was deemed to lie with Customer Services. All other recommendations were accepted.

#### **Service Charges**

Only one recommendation was made which was to ensure that copies of all leases be obtained. The recommendation was accepted.

## **2.4 Audits assessed as NEEDS IMPROVEMENT and awarded an opinion score of 4**

Internal Audit reviewed the following systems where given the nature of the risks involved in the achievement of the control objectives, neither the key controls or the other parts of the internal control system are working effectively, and some corrective action is needed in both areas. This provides only limited assurance that risks material to the achievement of the control objectives are adequately managed.

### **Deerness Sports Centre**

Main recommendations were in respect of evidence for cashing up; completion of consent forms; reconciliation of Leisure Finance income and consistency in pricing application. All recommendations were accepted.

## **2.5 Audits assessed as UNSATISFACTORY and awarded an audit opinion score of 5**

There were no audit assignments carried out over the period which attracted a score of (unsatisfactory) 5

## **2.6 3 further reviews were carried out which did not require an audit opinion**

### **Benefits Accuracy Q3**

Internal Audit undertakes a quarterly review of the accuracy of benefit claims.

These aim to meet three objectives:

- ◆ Enable client management to monitor performance against BVPI 79a.
- ◆ Enable client management to monitor performance against the standards of evidence requirements of the Verification Framework.

The quarterly audit identified that 124 of the 125 (99.2%) determinations were compliant with the Verification Framework Requirements.

### **VFM Rent Collectors and**

### **VFM Kiosks**

Information from both of these reports were used to substantiate the difficulties faced in retaining these methods of payment as part of a larger report regarding the "Review of Door to Door Collection and Office Based Payment Methods" reported to Cabinet on the 19<sup>th</sup> November 2007

## **3. INTERNAL PENETRATION TESTING**

A summary report outlining the main findings of the internal penetration testing is attached at Appendix F

## **4. IMPLEMENTATION DATES FOR RECOMMENDATIONS**

- 4.1** Following discussions with members at the last meeting regarding changes to the prioritisation of implementation dates for recommendations a briefing paper on suggested amendments was presented for discussion at OMT on the 16<sup>th</sup> October 2007.
- 4.2** Officers were minded to compromise on the suggested timetable requesting 3 months for implementation of High Risk areas, 6 months for medium risk and 12 months for low risk. Whilst officers were assured that exceptional circumstances would be dealt with on their own merit, it was suggested that the Head of Internal Audit should draw up a protocol that could be easily followed.



- 4.3** A protocol was developed and presented to OMT on the 20<sup>th</sup> November 2007 for approval. Following discussions the protocol was agreed, subject to review should Local Government Review take place in which case it was agreed that only high risk recommendations would be implemented in any transitional year.
- 4.4** The agreed protocol is set out in the report to OMT on the 20<sup>th</sup> November and is attached at Appendix G for consideration by members.

**5. RISK MANAGEMENT WORKING GROUP PROGRESS REPORT**

- 5.1** A report on the progress of the Risk Management Working Group from 1<sup>st</sup> April 2007 to the 30<sup>th</sup> November 2007 is attached at appendix H for member's information.

**6. RECOMMENDATIONS**

- ◆ That the Audit Overview Committee note the contents of the Progress Report for the 1<sup>st</sup> April 2007 to the 30<sup>th</sup> November 2007
- ◆ That the Audit Overview Committee note the contents of the Summary report with regard to Internal Penetration Testing.
- ◆ That the Audit Overview Committee agree the Internal Audit protocol in respect of the implementation of recommendations.
- ◆ That the Audit Overview Committee note the contents of the Risk Management progress report.



## AUDIT PLAN 2007/2008 DETAILED ANNUAL

PERIOD 1/04/2007 TO 30/11/2007

Audit number	Audit item	Target Days	YTD Plan	YTD Actual	YTD Variance	Complete	Reported to committee
08/01	Performance Indicators	15.00	15.00	18.70	3.70	Y	Oct-07
08/02	Accountancy - Financial management system	10.00	10.00	10.37	0.37	Y	Oct-07
08/03	Capital Finance (incl leasing and prudential code)	10.00	10.00	4.20	-5.80	Y	Oct-07
08/04	Cash reconciliations (incl arrears, refunds and write offs)	5.00	5.00	7.57	2.57	Y	Oct-07
08/05	Burial service	10.00	10.00	10.63	0.63	Y	Jul-07
08/06	IT - Application controls	10.00	10.00	2.50	-7.50	Testing	
08/07	NNDR liability incl valuation, collection, voids, refunds, discounts and write offs	10.00	10.00	11.87	1.87	Y	Oct-07
08/08	Swimming Baths	15.00	15.00	16.83	1.83	Y	Oct-07
08/09	Housing benefits - quarterly check Q1	7.00	7.00	6.13	-0.87	Y	Jul-07
08/10	Grants register incl guidance, procedures and min standards for WP	15.00	15.00	1.63	-13.37	Testing	
08/46	VFM - rent collectors (Quarter 1)	7.00	7.00	9.60	2.60	Y	
08/49	Statement of Internal Control (Quarter 1)	5.00	0.00	0.00	0.00	Y	Jun-07
08/50	Durham Sport (Quarter 1)	10.00	10.00	1.60	-8.40	Y	Jul-07
08/51	Service charges (Quarter 1)	10.00	10.00	5.27	-4.73	Y	
<b>Total Quarter 1</b>		<b>139.00</b>	<b>134.00</b>	<b>106.90</b>	<b>-27.10</b>		

Audit number	Audit item	Target Days	YTD Plan	YTD Actual	YTD Variance	Complete	Reported to committee
08/11	Council Tax liability incl valuation, collection, voids, discounts, exemptions, refunds and w/offs	15.00	15.00	15.73	0.73	Y	
08/12	Accountancy Final accounts	7.00	7.00	8.27	1.27	Y	Oct-07
08/13	Asset register	10.00	10.00	8.50	-1.50	Y	
08/14	Housing benefits - Performance standards	10.00	10.00	8.00	-2.00	Y	Oct-07
08/15	Creditors	10.00	10.00	11.47	1.47	Post audit	
08/16	Payroll incl overtime, maternity/paternity, mileage and disturbance	15.00	15.00	15.80	0.80	Y	
08/17	Cash collection incl receipting, electronic payments, kiosks, suspense	10.00	10.00	11.73	1.73	Post audit	
08/18	Gas maintenance	10.00	10.00	0.00	-10.00	Delay till Dec	
08/19	Risk Management	7.00	7.00	9.30	2.30	Y	
08/20	Responsive repairs	10.00	10.00	0.00	-10.00	Move to Q3	
08/21	Housing benefits - quarterly check Q2	7.00	7.00	7.07	0.07	Y	Oct-07
08/22	IT - data protection	15.00	15.00	3.03	-11.97	Testing	
08/45	VFM - Kiosks (Quarter 2)	7.00	7.00	7.00	0.00	Y	
<b>Total Quarter 2</b>		<b>133.00</b>	<b>133.00</b>	<b>105.90</b>	<b>-27.10</b>		

Audit number	Audit item	Target Days	YTD Plan	YTD Actual	YTD Variance	Complete	Reported to committee
08/23	Sicknesss	10.00	6.67	0.07	-6.60	NYA	
08/24	Stage School	10.00	6.67	6.80	0.13	Testing	
08/25	System reconciliation	10.00	6.67	7.83	1.16	Post audit	
08/26	Housing benefits - quarterly check Q3	7.00	4.67	6.93	2.26	Y	
08/27	Planned Maintenance	10.00	0.00	0.00	0.00	NYA	
08/28	IT internal penetration testing (outsourced)	10.00	6.67	0.40	-6.27	Y	
08/29a	Sports Centres Deerness	15.00	15.00	15.00	0.00	Y	
08/29b	Sports Centres Coxhoe	15.00	15.00	15.57	0.57	Y	
08/30	IT - internet controls	10.00	0.00	0.00	0.00	NYA	
08/31	Treasury management	5.00	3.33	1.90	-1.43	Testing	
08/32	Customer services	20.00	13.33	14.07	0.74	Testing	
08/33	Data retention and disposal	10.00	10.00	9.10	-0.90	Draft	
<b>Total Quarter 3</b>		<b>132.00</b>	<b>88.01</b>	<b>77.67</b>	<b>-10.34</b>		

Appendix A

Audit number	Audit item	Target Days	YTD Plan	YTD Actual	YTD Variance	Complete	Reported to committee
08/34	Transfer station	10.00	0.00	0.00	0.00	NYA	
08/35	Accountancy estimates	10.00	0.00	0.00	0.00	NYA	
08/36	Housing rents liability incl rent calculation, collection, voids refunds and write offs	10.00	0.00	0.00	0.00	NYA	
08/37	Housing benefits - quarterly check Q4	7.00	0.00	0.00	0.00	NYA	
08/38	Housing benefits - Council tax, rent allowances etc.	20.00	20.00	2.67	-17.33	NYA	
08/39	Crematorium	7.00	7.00	2.00	-5.00	Testing	
08/40	IT - business continuity/disaster recovery	10.00	0.00	0.33	0.33	NYA	
08/41	Housing benefits fraud investigations	10.00	0.00	0.00	0.00	NYA	
08/42	Debtors incl a/c raising, recovery, write off and system	10.00	10.00	10.37	0.37	Post audit	
08/43	IT - change controls	10.00	0.00	0.00	0.00	NYA	
08/44	Gala - catering and bars	10.00	0.00	0.00	0.00	NYA	
08/47	Governance arrangements (Quarter 4)	5.00	0.00	0.00	0.00	NYA	
08/48	Fraud and Corruption (Quarter 4)	5.00	0.00	0.00	0.00	NYA	
<b>Total Quarter 4</b>		<b>124.00</b>	<b>37.00</b>	<b>15.37</b>	<b>-21.63</b>		

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#### Brought forward

Audit number	Audit item	Target Days	YTD Plan	YTD Actual	YTD Variance	Complete	Reported to committee
07/39 bf	Sickness	0.00	0.00	6.40	6.40	Y	Jul-07
07/22 bf	Treasury Management	0.00	0.00	0.60	0.60	Y	Jul-07
07/38 bf	Housing Maintenance	0.00	0.00	3.30	3.30	Y	Jul-07
07/48 bf	Debtors	0.00	0.00	7.37	7.37	Y	Jul-07
07/33 bf	Cash Collection	0.00	0.00	2.60	2.60	Y	Jul-07
07/60 bf	Crematorium	0.00	0.00	0.53	0.53	Y	Jul-07
07/37 bf	Housing Benefits Fraud investigations	0.00	0.00	0.17	0.17	Y	Jul-07
07/50 bf	Housing Benefits	0.00	0.00	2.80	2.80	Y	Jul-07
07/32 bf	Accountancy Estimates	0.00	0.00	1.47	1.47	Y	Jul-07
07/05 bf	Customer Services	0.00	0.00	0.73	0.73	Y	Jul-07
<b>Total brought forward</b>		<b>0.00</b>	<b>0.00</b>	<b>25.97</b>	<b>25.97</b>		

#### Reserve List

	Target Days	YTD Plan	YTD Actual	YTD Variance
	52.00	26.00	0.00	-26.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00
TOTAL	52.00	26.00	0.00	-26.00

		Target Days	YTD Plan	YTD Actual	YTD Variance
n/a	Follow ups	40.00	30.00	29.43	-0.57

**Non Productive Time**

	<b>Target Days</b>	<b>YTD Plan</b>	<b>YTD Actual</b>	<b>YTD Variance</b>
Bank Holidays	60.00	30.00	30.00	0.00
Annual leave	197.00	131.33	94.50	-36.83
Sickness	54.00	36.00	7.00	-29.00
Special leave	6.00	4.00	5.27	1.27
Day release	68.00	45.33	5.27	-40.06
Other training	60.00	40.00	19.07	-20.93
Study leave / exams	12.00	8.00	5.50	-2.50
Hospital/Dental appointments	3.00	2.00	0.27	-1.73
<b>TOTAL</b>	<b>460.00</b>	<b>296.66</b>	<b>166.88</b>	<b>-129.78</b>

**Management and Administration (non chargeable)**

	<b>Target Days</b>	<b>YTD Plan</b>	<b>YTD Actual</b>	<b>YTD Variance</b>
Audit planning, management and supervision of the section.	50.00	33.33	53.50	20.17
Review of policy documentation	10.00	6.67	12.60	5.93
Audit manual review in line with new CIPFA model	15.00	10.00	11.67	1.67
Advice and discussion with District Audit	6.00	4.00	0.93	-3.07
Audit sub group etc	4.00	2.67	2.47	-0.20
Maintenance of data base	5.00	3.33	1.87	-1.46
Idea Sub Group	4.00	2.67	0.07	-2.60
OMT	4.00	2.67	0.70	-1.97
Review of Internal Audit	2.00	1.33	0.83	-0.50
Key lines of enquiry	10.00	6.67	1.60	-5.07
New legislation	2.00	1.33	0.93	-0.40
Business Planning	5.00	3.33	0.00	-3.33
Document imaging/Back Scanning	10.00	6.67	9.10	2.43
Options appraisal	20.00	13.33	0.07	-13.26
Risk management	10.00	6.67	5.87	-0.80
Internal Audit review meetings	10.00	6.67	10.47	3.80
General Administration	60.00	40.00	114.83	74.83
PDR's	3.50	2.33	3.83	1.50
Business Continuity	5.00	3.33	0.33	-3.00
Emergency planning	5.00	3.33	0.53	-2.80
Section Heads meeting	3.50	2.33	4.27	1.94
<b>TOTAL</b>	<b>244.00</b>	<b>162.66</b>	<b>236.47</b>	<b>73.81</b>

**Management and Administration (chargeable)**

	<b>Target Days</b>	<b>YTD Plan</b>	<b>YTD Actual</b>	<b>YTD Variance</b>
Tender openings	3.00	2.00	0.60	-1.40
Financial appraisals	5.00	3.33	0.43	-2.90
Project implementation - Purchasing, Housing and Rents	10.00	6.67	0.27	-6.40
Treasury management cover	4.00	2.67	0.83	-1.84
Stores - stocktaking	10.00	6.67	0.00	-6.67
Advice to Departments	20.00	13.33	11.27	-2.06
Audit awareness training	2.00	1.33	0.13	-1.20
Review of regulations and procedures	3.00	2.00	0.00	-2.00
Implementatuion of recommendations involving additional work by Internal Audit	10.00	6.67	1.87	-4.80
Statement of internal control	10.00	6.67	7.83	1.16
Misc working groups	10.00	6.67	4.87	-1.80
<b>TOTAL</b>	<b>87.00</b>	<b>58.01</b>	<b>28.10</b>	<b>-29.91</b>

**Ad Hoc work (Contingency)**

		Target Days	YTD Plan	YTD Actual	YTD Variance	Complete	Reported to committee
08 - cont	RTB support work	0.00	0.00	1.60	1.60		
08 - cont	Building Control investigation	0.00	0.00	7.87	7.87	Y	Oct-07
08 - cont	BVPI 12 - Sickness - investigation of methodology and recalculation	0.00	0.00	19.47	19.47	Y	verbal
08 - cont	Flexitime	0.00	0.00	0.10	0.10		
08 - cont	Local Area agreement	0.00	0.00	0.53	0.53		
08 - cont	New system SX3, Housing, Rents, Maintenance	0.00	0.00	0.47	0.47		
08 - cont	Cash receipting procedures	0.00	0.00	4.57	4.57		
08 - cont	NWA water rate charges	0.00	0.00	4.80	4.80	Y	Oct-07
08 - cont	Cash collection errors	0.00	0.00	0.27	0.27		
08 - cont	Baths appeal	0.00	0.00	1.33	1.33		
08 - cont	Out of date cheque	0.00	0.00	0.17	0.17		
08 - cont	Restructure	0.00	0.00	1.13	1.13		
08 - cont	Furniture pack	0.00	0.00	19.03	19.03	Y	Oct-07
08 - cont	Tenants contents insurance	0.00	0.00	2.33	2.33	Y	Oct-07
08 - cont	Local Government review	0.00	0.00	0.83	0.83		
08 - cont	Scam invoice	0.00	0.00	0.40	0.40		
08 - cont	Procurement - one off payments	0.00	0.00	0.47	0.47		
08 - cont	Mayors appeal	0.00	0.00	0.60	0.60		
08 - cont	ICT updating laptops	0.00	0.00	1.27	1.27		
08 - cont	Travellers site - electricity meter	0.00	0.00	0.20	0.20		
08 - cont	Supporting people	0.00	0.00	14.57	14.57	Testing	
08 - cont	Request and installation of new certificate - Experian	0.00	0.00	0.33	0.33		
08 - cont	New Code of Corporate Governance	0.00	0.00	3.13	3.13		
08 - cont	Witness statement	0.00	0.00	2.20	2.20		
08 - cont	National Fraud Initiative	0.00	0.00	0.33	0.33		
08 - cont	Kiosks 17 Claypath	0.00	0.00	0.27	0.27		
08 - cont	Break in 17 Claypath	0.00	0.00	0.00	0.00		
08 - cont	A Turner	0.00	0.00	1.70	1.70		
08 - cont	Data for County Council	0.00	0.00	0.80	0.80		
08 - cont	SX3 Stock control interface	0.00	0.00	0.23	0.23		
08 - cont	Office move	0.00	0.00	10.80	10.80		
08 - cont	Data matching - Audit Commission	0.00	0.00	0.20	0.20		
08 - cont	Implementation of recommendations	0.00	0.00	0.67	0.67		
08 - cont	Bacstel-lp	0.00	0.00	0.40	0.40		
08 - cont	Staff Turnover contingency	25.00	16.67	0.00	-16.67		
08 - cont	Special investigations contingency	130.00	86.67	91.20	4.53		
Total		155.00	103.34	194.27	90.93		

Part of 06/07 audit

Totals		1566.00	1068.68	986.96	-81.72		
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Note \* Main systems for assurance purposes agreed with Audit Commission

Details of Recommendations outstanding escalated to Director/Head of Service after failing to be implemented after second follow up.

Audit Ref	Audit Name	Department	Rec No	Planned Implementation date	Revised Implementation Date	Recommendation	Explanation	Notes
06/24	Housing Rents	Financial Services	R3	01-Jun-06	31-Dec-06	Procedure Notes with regards the role of the Revenues Supervisor should be produced this should also apply to other key roles within the Rent Department.	Time restrictions due to implementation of new systems and practicalities in terms of requirement to re-write after new system implemented in June 2007	Escalated to Director, will be completed by 31/03/08 Processes in place June 2007
05/34	Council House contents insurance	Legal and Administration	R3	01-Mar-05	30-Jun-07	A suitable method for reconciling the rent account with the RSA database be established. Due to the low take up of the scheme it is suggested that the reconciliation be carried out at least quarterly.	SX3 functionality not yet developed for reporting needs	Escalated to Head of Service - expected to be in place by 31/03/08
05/27	Grounds maintenance	Environment and Leisure Services	R13	01-Mar-06	31-Jul-07	A control record should be created for each site showing the allotment site, plot number occupied, date of tenancy agreement and the date on which a Sundry Debtors Account was raised	Audit of Public Open Space currently being carried out	Escalated to Head of Service control record is currently being compiled. Briefing note supplied to Internal Audit. To be completed by 31/03/08
06/55	Travelling Expenses	Legal and Administration	R23	31-Jan-06	01-Aug-07	Relevant insurance driving licence and MOT documentation is to be periodically reviewed – suggest annually. Heads of Service be notified that the requirement to supply insurance details before a mileage allowance will be paid to be included in the induction pack	To be included in Policy	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R15	28-Feb-06	01-Aug-07	A travel pack should be introduced containing emergency contacts, booking information, confirmation etc for Officers who require overnight stays.	To be included with tickets etc	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R12	01-Mar-06	01-Aug-07	Devise costing guidelines for Courses, Seminars, Conferences etc to be updated and reviewed and also to include a costing guideline for rail and air travelling.	To be included in policy	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07

06/55	Travelling Expenses	Legal and Administration	R1	30-Nov-06	01-Aug-07	Consideration is given to the development of a written policy for Travelling, Subsistence and Accommodation for Officers.	At draft	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R3	31-Dec-06	01-Aug-07	Ensure that authorisation is given and by the correct Officer within the time frames specified in the Travel and Subsistence Policy. Evidence of authorisation should be retained.	At draft	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R16	31-Dec-06	01-Aug-07	Employees are to be reminded of the time frame in which requests are to be forwarded in regards to Courses, Seminars and Conferences.	Policy	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R14	31-Dec-06	01-Aug-07	Written procedure notes are needed for Disturbance Allowance and need to be made available for all employees.	At draft	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R10	31-Dec-06	01-Aug-07	Internal guidelines on the rules and regulations surrounding Car mileage claims are made available to all members of staff.	At draft	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R8	31-Dec-06	01-Aug-07	Provide Travel and Subsistence procedure notes that are easily accessible to all Council employees (E.g. Public Folders). Inform Council employees where the information is located.	At draft	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R4	31-Dec-06	01-Aug-07	All mileage forms should be submitted on a monthly basis. Where any claim is not submitted on a monthly basis for high mileage users, officers will not be reimbursed for any mileage claimed for previous months unless there are mitigating circumstances.	Awaiting policy	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
06/55	Travelling Expenses	Legal and Administration	R2	31-Dec-06	01-Aug-07	Ensure that copies of the Travelling and Subsistence policy are widely available to all staff.	At draft	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07



06/55	Travelling Expenses	Legal and Administration	R7	31-Dec-06	01-Aug-07	Ensure written guidelines are available for employees who are able to claim the reimbursement of mileage also a copy be held within Payment Services for the Officers responsible for processing the claim.	At draft	Draft Policy has now been produced - to be presented to OMT expected to be completed by 31/12/07
05/33	Furniture pack scheme	Housing Services	R15	01-Nov-04	01-Sep-07	That a suitable system be devised to ensure that all inspections required under the terms of the contract are carried out and appropriately recorded	New Housing Management system	Furniture pack system to be re-engineered procedures to be reviewed
06/32	Meadowfield Leisure Centre	Environment and Leisure Services	R13	01-Dec-06	01-Sep-07	Consideration be given to producing a single procedures manual covering all leisure centres	Manager of the centre left - new manager will take over task in June	Individual manuals are in place - required for consistency. Will not be developed until new pool is in operation
06/36	Contaminated Land	Property Services	R3	01-Jun-06	30-Sep-07	The Council's Contaminated Land Strategy by revised to include the latest developments with regards to CLR11 and PPS23	Senior Engineer on LTS	Consultants currently in reviewing the system and updating the strategy should be in place by 31/03/08
06/36	Contaminated Land	Property Services	R2	01-Jun-06	30-Sep-07	Written Procedure notes be produced and regularly updated to cover the main elements of the system	Senior Engineer on LTS	Consultants currently in reviewing the system and updating the strategy should be in place by 31/03/08
07/24	Housing Lettings	Housing Services	R14	01-Oct-06	01-Oct-07	Where refusals are not made on the standard refusal form, due to non response or via telephone, sufficient notes should be maintained on the Housing Management System to indicate how and why the offer has been refused.	New policy	Escalated to Head of Service - expected to be in place by 31/12/07
07/24	Housing Lettings	Housing Services	R10	01-Nov-06	01-Oct-07	A checklist should be utilised to ensure that all applicant checks are carried out and recorded	To be included in new policy	Escalated to Head of Service - expected to be in place by 31/12/07
07/24	Housing Lettings	Housing Services	R12	01-Nov-06	01-Oct-07	Evidence should be maintained to confirm that relevant checks have been carried out prior to an offer being made in all cases. Where checks are not required, evidence of the reason for this should be maintained.	New policy	Escalated to Head of Service - expected to be in place by 31/12/07

06/33	Supporting People	Housing Services	R1	01-Jun-07	31-Dec-07	City Care to liaise with the Revenues Control Team, and the Rents Section, in order that a solution be found to enable the reconciliation of income to the rent control account.	New system being installed which will reconcile information	Following additional work carried out by Internal Audit implementation date revised to 31/12/07
07/13	Tourism Strategy	Cultural Services	R2	31-Mar-07	01-Sep-07	The consultation processes be taken into account when the Tourism Strategy is produced	Restructure	The Strategy cannot be developed until the county wide strategy is in place.
07/13	Tourism Strategy	Cultural Services	R1	31-Mar-07	01-Sep-07	A Tourism Strategy be developed which is clear and concise, takes into account the Area Tourism Partnership, is based on best practise guidance, is linked to corporate priorities, identifies the organisations goals and how they are to be achieved.	Restructure	The Strategy cannot be developed until the county wide strategy is in place.
07/13	Tourism Strategy	Cultural Services	R3	31-Mar-07	01-Sep-07	A timetable be devised which ensures that the Tourism Strategy is reviewed and updated on a regular basis	Restructure	The Strategy cannot be developed until the county wide strategy is in place.
06/48	Fleet Management	Environment and Leisure Services	R20	30-Apr-07	31-Dec-07	A fuel card system should be introduced for petrol purchases.		Escalated to Head of Service. This is currently being addressed - probable solution is to use Purchasing card Implementation date revised to 31/12/07
06/48	Fleet Management	Environment and Leisure Services	R21	30-Apr-07	31-Dec-07	System functionality should be used to monitor issues of hydraulic oil, engine oil and antifreeze, with a monthly reconciliation between bulk issues and the total charged to jobs		Escalated to Head of Service. A manual system is to be designed. Expected completion 31/12/07
06/48	Fleet Management	Environment and Leisure Services	R26	30-Apr-07	31-Jan-08	Driver and user department surveys should be carried out on a regular basis and the findings taken into consideration when reviewing the business plan		Escalated to Head of Service. Surveys now underway expected completion by 31/01/08

Audit Ref	Audit Name	Department	Rec No	Recommendation	Reason for withdrawal
06/20	Cash collection	Community Services	R14	Bankings should be made more regularly to ensure that cash kept overnight does not exceed prescribed limits and/or new safes should be purchased to accommodated the level of cash retained	Not considered cost effective as office based cash payment facility is to be withdrawn
05/33	Furniture pack scheme	Housing Services	R2	That the control registers be merged into one electronic register (Database).	No further ICT developments due to LGR.
05/33	Furniture pack scheme	Housing Services	R3	That investigations be carried out to determine whether it is possible to automatically generate the relevant documentation from the control register.	Not cost effective
05/33	Furniture pack scheme	Housing Services	R22	That a periodic review of the profit/loss generated by the scheme be considered	Not considered practical
05/33	Furniture pack scheme	Housing Services	R23	That, based on a provisional calculation, consideration be given to the abandonment of the provision of furniture packs.	Politically backed scheme
06/36	Contaminated Land	Property Services	R1	The issue regarding the database and CAPS system transfer of information be resolved so that the Planning Department can use the information to identify Contaminated Land	No longer cost effective
06/48	Fleet Management	Environment and Leisure Services	R1	Consideration is given to redesigning the complete process to take advantage of the unused system functionality.	Process will not now be redesigned not cost effective
06/48	Fleet Management	Environment and Leisure Services	R2	Following the decision as to which system functionality is to be used, review resource requirements with financial services, admin, payment services and technical support sections.	Not now practical
06/48	Fleet Management	Environment and Leisure Services	R3	Train new and existing users to use Tranman to support the new process.	Process will not now be redesigned
06/48	Fleet Management	Environment and Leisure Services	R8	As part of the process redesign, examine whether Tranman should continue to generate purchase orders, or whether the new web-based purchasing functionality should be used, with an interface to Tranman.	Process will not now be redesigned
06/48	Fleet Management	Environment and Leisure Services	R9	System functionality should be used to process the time information and provide an interface to Accounting.	System will not now be developed
06/48	Fleet Management	Environment and Leisure Services	R10	System functionality should be used to generate the data needed for the monthly reports, and this data should be interfaced to Agresso. Agresso should then be used to produce the reports	System will not now be developed
06/48	Fleet Management	Environment and Leisure Services	R11	Following the implementation of a redesigned process (R1), a procedure manual should be written which is consistent with policy, and which describes each aspect of the overall process. This should be supported by training of all staff involved in the new	Process will not now be redesigned
06/48	Fleet Management	Environment and Leisure Services	R15	System functionality should be used for accident reporting. As part of the process redesign, consideration should be given to use of this functionality by Legal and Administration for insurance purposes.	Process will not now be redesigned
06/48	Fleet Management	Environment and Leisure Services	R24	System functionality should be used to produce vehicle utilisation reports for distribution to user managers.	System will not now be developed
08/Cont 3	Building Control	Planning Services	R6	All incorrect VAT transactions should be transferred to the VAT account	Information not forwarded at time of audit, Accounts closed when information supplied. However as the amount was not material no adjustment has been made
08/08	Swimming Baths	Environment and Leisure Services	R4	Investigations should be made to determine the feasibility of securing the coin box within the vending machine	Operational - use coinbox for change. Compensatory controls are in place



## Details of Recommendations Partly Agreed

Audit	Recommendation	Reason for Non Agreement	Audit Comment
08/cont 1 NWA	Investigations should be carried out to establish if the recharged amount can be rounded up to the nearest penny when calculated to ensure that the whole amount paid is recovered.	Head of Finance to investigate, however implementation may not be feasible	Action accepted by Internal Audit
08/29b Coxhoe Sports Centre	A new user group should be established for Cityinfo staff, and access tailored to meet their needs.	Responsibility for part of this recommendation lies with customer services	Internal audit agree. Customer services have been notified and agreed the recommendation
08/29b Coxhoe Sports Centre	Managers must ensure that all staff log in and out of the system when they leave the reception desk.	Responsibility for part of this recommendation lies with customer services	Internal audit agree. Customer services have been notified and agreed the recommendation

Where the Auditor disagrees with the reasons for partial agreement by the relevant department the recommendation will be subject to escalation in accordance with the protocols agreed in the Audit Procedures manual.

Items discussed at previous meetings are shown highlighted.



## Details of Recommendations Not Agreed

Audit	Recommendation	Reason for Non Agreement	Audit Comment
08/08 Swimming Baths	Investigations should be made to determine the feasibility of securing the coin box within the vending machine	Operational - use coinbox for change. Compensatory controls are in place	Action accepted by Internal audit
08/cont 2 Furniture packs	Further consideration should be given to the creation of a database to assist in the management of the furniture pack scheme.	No further ICT developments due to LGR	To revisit depending upon outcome of LGR
08/cont 3 Building Control	Building Control income currently on the Planning income code, and planning income currently on the building control income code should be transferred ASAP	Information not forwarded at time of audit, Accounts closed when information supplied. However as the amount was not material no adjustment has been made	Action accepted by Internal Audit

Where the Auditor disagrees with the reasons for non agreement by the relevant Service the recommendation will be subject to escalation in accordance with the protocols agreed in the Audit Procedures manual.

Items discussed at previous meetings are shown highlighted.





## **Internal Penetration Testing Summary Report**

### **Overview**

In 2006, the NCC Group carried out External Penetration testing to determine the likelihood of a person being able to gain access to the City of Durham network via the Internet and access data or cause disruption to services.

City of Durham Council recently commissioned NCC Group to carry out Internal Penetration Testing on the network. This was to determine if someone from within the Council could gain access to information that they were not authorised to view, cause malicious damage to the network, or disrupt services.

The report identified a number of risks which were categorised as high, medium and low. A high risk indicated that servers were set up in such a way that it would be relatively easy for someone with the right knowledge, and access to a PC on the network, to view restricted information on the network. Too many high risks and it would be possible for someone to compromise all of the servers and effectively disable the network if that is what they desired to do.

During the testing, NCC Group were able to break into the network and discover passwords, including administrator passwords, that would have allowed them to take full control of the network and allow them access to all of the servers. It should however be pointed out that the members of the testing team have specific expert knowledge in this area, as well as access to the necessary hacking tools, and are professionally employed to carry out these tests on a daily basis.

The report produced by NCC is of a highly technical nature. Below is outlined an Executive Summary of the findings and recommendations.

### **Security Patch Levels**

The Windows operating system that is used on City of Durham servers has, over the years, been susceptible to virus attack and exploitation by hackers to gain access to data or to disrupt services. Virus writers and hackers have taken advantage of weaknesses within the Windows operating system to gain access to servers and the data they contain. To overcome this, Microsoft regularly release software updates that address known vulnerabilities and make the Windows operating system more secure and harder to attack.

It was found during testing that City of Durham's servers did not have the latest security updates and in some cases updates had not been installed for some time. This was instrumental to NCC Group being able to compromise the network. There are a number of reasons for the lack of security updates on the servers:

1. Updates need to be installed outside of normal working hours for the following reasons:
  - After installing security updates to a server, the server needs to be restarted. In some cases, after the server has been restarted, further security updates will need to be installed, requiring another restart. This is not practical when the server is being used during working hours.
  - The installation of security updates should be carried out following a full system backup. Then, if the installation of the security update causes a problem with the server, application data will be recoverable from tape.

As there is no specific overtime budget for ICT this has proven to be a problem.

2. In the early days of Microsoft security updates, there was always the risk that the update itself could cause the server to become unstable and cause more problems than were fixed. This has become less of an issue more recently as the updates are proving much more reliable. However, as we run a wide variety of applications from different vendors there is also the risk that an update to the server could stop an application from working.
3. In the past, installing security updates would take upwards of 2 hours per server. As City of Durham currently has 66 servers, this would make updating the servers an extremely time consuming activity (especially considering the work must be done out of hours).
4. The greatest risk of attack was perceived to be external via the Internet or by virus attack. As shown in last year's External Penetration Testing Report, the network is well protected from outside attack. There is also the highest level of virus protection from 3<sup>rd</sup> party suppliers.

### Solution

Microsoft has developed an application called Windows Server Update Service (WSUS) which simplifies the installation of security patches. All security updates that are available from Microsoft are automatically downloaded to the server running WSUS. The WSUS application shows a list of all servers and the number of security updates required for each, the updates can then be installed on individual servers. Although the updates still need to be applied outside of normal working hours, the whole process is more efficient and there is a central record of all updates that have been installed.

Since this issue was highlighted by NCC, the WSUS software has been installed and 63 of the Council's 66 servers have been fully updated. Of the other 3 servers, 2 are running the SX3 Revenues and Housing application, and updates need to be installed in coordination with the application support team. The other server runs the Anite Document Management System which requires a software upgrade (scheduled for January) before the updates can be applied.

## **Domain Controller Configuration**

Another factor in the compromise of the network was the setup of the Domain Controllers. In a Microsoft Windows network, at least one server acts as a Domain Controller (DC). A DC is a server that a user's pc communicates with when they log onto the network, verifying the user's logon credentials before allowing them access. At the time of the penetration testing there were 4 DCs. Two of these DCs had the Windows 2000 operating system installed and two had the Windows 2003 operating system installed. The DCs with Windows 2000 installed were found to be vulnerable to attack because they did not have up to date security patches installed, as highlighted above. Also, Windows 2000, being an older operating system is seen as generally more vulnerable than Windows 2003. The NCC report recommended that the Windows 2000 DCs be upgraded to Windows 2003 and that all DCs should have security patches installed on a regular basis.

### Solution

ICT staff have made changes to the Domain Controllers. There are now 3 Windows 2003 DCs. These servers have had all of the security updates installed on them and a procedure is in place to keep these servers up to date.

## **Password Policy**

In order for anyone to log on to the network, it is necessary for them to enter a username and password. For the password to be verified, it needs to be stored in an encrypted form within Windows. There are 2 forms of encryption used within Windows to store passwords: an older, weaker form of encryption that is used for backwards compatibility with Windows 95 and 98; and a newer, much

stronger form of encryption. The NCC report highlighted that both forms of encryption were used on the City of Durham network, making it possible to decipher and view passwords. Until very recently, there were still Windows 98 PCs on the network, meaning that the weak form of encryption was necessary. The report recommended that Windows be stopped from storing passwords using the weak encryption. This is something that is currently being implemented by ICT staff and will be completed by Christmas 2007.

### **Server Local Administrator Passwords**

Anyone logging on to a server with the local administrator password will be able to make any changes they want and view any information. The report highlighted the fact that most servers used the same local administrator password (known only to IT Staff), and that some servers had a blank password (these had been installed by 3<sup>rd</sup> party application vendors). It was recommended that all servers have a unique complex administrator password. This has now been completed by ICT staff.

The above three items, Patch Levels, Domain Controller Configuration and Password Policy are the three areas where weaknesses allowed the network to be compromised. The following items show weaknesses that would not enable a hacker to gain access to the system, though they still need to be addressed.

### **PCI Standard**

One of the Cash Receipting servers, responsible for the verification of credit cards, was found to have credit card details stored in plain text. This is contrary to the PCI Standard. The PCI Standard is the Payment Card Industry Data Security Standard and dictates, among other things, how and in what format credit card details should be stored. Anite, the suppliers of the Cash Receipting software in use within City of Durham council, have been contacted by ICT staff. The current position is that City of Durham is not required to be PCI compliant at this time; however they do need to be working towards compliance. Anite is aware of all of the issues surrounding PCI Standard compliance and will shortly be releasing upgraded PCI compliant software which can be installed onto City of Durham servers. The Director of Corporate Finance has also been informed because there are some procedural implications that affect his service.

### **Databases**

All of the major applications in use within City of Durham use databases. Because of the sensitive nature of much of the data, it is important that access to the databases is as secure as possible. Only Authorised personnel should have access to the data by means of a username and password.

#### **MSSQL Databases**

The majority of the databases in use on the City of Durham network are Microsoft SQL (MSSQL) databases. These were found to be configured correctly and NCC was not able to gain access to any data stored within the databases.

#### **Oracle Databases**

Two applications in use on the City of Durham network use Oracle databases. It was found, during testing, that a number of default user accounts were present. That is user accounts that are installed as standard as part of any Oracle database install. Anyone with a detailed knowledge of Oracle databases would know about these accounts and be able to log on to the database with the username and password. However, when City of Durham ICT staff logged on with the default usernames and passwords they were not able to access any data. It is recommended in the NCC report that the default users be removed. Before this can be done City

of Durham ICT staff will need to speak to the application vendors to see if there are any implications in removing the default accounts. These discussions are taking place now.

## **Web Services**

A number of applications in use within City of Durham Council are accessed through a Web browser such as Internet Explorer. It is becoming common for users to access applications using this method, and it requires the application server to be set up as a Web server. If not configured correctly Web servers can have vulnerabilities which can allow hackers to access the server. During test, no exploitable services were found. However, a number of recommendations were made with regard to Web services. When older versions of the Microsoft Operating System were installed, a Web server would be automatically installed whether it was required or not. It is recommended that any unused Web servers be uninstalled. Also, security updates should be installed for Web servers that are in use. ICT staff are currently working on this on a server by server basis. It is estimated that the work will be completed by the end of January 2008.

## **FTP**

File Transfer Protocol (FTP) is a method for copying files between computers. A number of servers on the City of Durham network have FTP installed to allow application vendors to copy files to the servers through a secure Internet link. Some of the FTP installations were found to have been setup to allow anonymous connections, so that anyone connecting would not need to supply a password. This has now been changed by ICT staff so that usernames and passwords must be supplied. Also being investigated is the recommendation that FTP be replaced with a more secure form of file transfer, although FTP has been an industry standard for some time.

## **SNMP**

Simple Network Management Protocol (SNMP) is a system that allows network administrators to monitor and maintain the network. The report highlighted the fact that the SNMP instances on all servers still had the default passwords. This would make it easier for unauthorised users to gather information on the servers that could be used in a hacking attempt. This is not a serious risk, but ICT Staff will be changing the passwords.

## **Conclusion**

The NCC Report highlighted 3 main areas where weaknesses could potentially allow a skilled individual with the appropriate tools and time to compromise the network. These were Security Patch Levels, Domain Controller Configuration and Password Policy. These high risks have now been addressed by ICT Staff and it would be difficult (if not impossible) even for NCC Group to gain access to the network now that the recommended measures have been put in place.

Medium and Low level risks were also identified in the report. These relate to areas that would not allow access to the network, but are considered to be 'best practice'. These are also being addressed by ICT Staff and should be complete by the end of February 2008.

**Report to OMT**

**Proposed Protocol - Implementation of Internal Audit recommendations.**

**Report of the Director of Financial Services**

**20 November 2007**

**1.0 Introduction / Background**

- 1.1 Members of OMT will recall my report of 16 October 2007, which identified that whilst past performance in respect of the implementation of recommendations is generally good, 12.5% have not been implemented by the agreed implementation date over the last two years. In addition, at the end of August 2007, 53 recommendations were still outstanding relating to work carried out up to 3 years ago. 29 of which have been outstanding for more than one year.
- 1.2 These facts were outlined in the monitoring report to Audit Overview Committee on 3<sup>rd</sup> October 2007, at the bequest of the Committee. Members of the Committee were informed that Internal audit were in the process of carrying out follow ups and it was anticipated that many of these outstanding recommendations would have been implemented in the interim. An updated position will be reported to the next Audit Overview Committee, with the draft report being considered in advance by OMT as usual.
- 1.3 Whilst the system currently in place regarding the implementation of recommendations includes a formal process for escalation, which is always exercised when necessary, the agreement of implementation dates appeared to be inconsistent across services.
- 1.4 Members of the Audit Overview Committee (at its meeting on 3 October 2007) recommended that the level of risk assigned to a recommendation should be the determinant for implementation rather than mutual agreement between the auditor and managers as this was considered to be best practice, brings a high level of consistency and establishes fixed time frames for the implementation of recommendations according to the level of risk.
- 1.5 Introducing such a system would be an improvement on the current practice, however there needs to be a level of flexibility built in, so that the process is not totally rigid. This would allow some movement but only in exceptional circumstances and with good reason. The purpose of this report is to set out the protocols in terms of the implementation of recommendations under this new framework.

**2.0 Proposed Protocol for implementation of Recommendations.**

- 2.1 The methodology used for the time allowable for the implementation of recommendations is amended as follows:

High risk – to be implemented within 3 months (as amended)

Medium risk – to be implemented within 6 months

Low risk – to be implemented within 12 months.

- 2.2 All recommendation action plans, agreed at post-audit closure meetings, will clearly identify the priority assigned to the recommendation. The classification of risk will be mutually agreed by the Auditor and Service Manager.
- 2.3 To alleviate concerns regarding potential resource and other issues there will be some flexibility within the new system. However, extensions will only be granted under exceptional circumstances and only if agreed by the Head of Internal Audit in consultation with the Director of Financial Services and the Chair of Audit Overview.
- 2.5 The Head of Internal Audit will discuss all requests for extension beyond deadlines with the Director of Financial Services and then e-mail the Chair of Audit Overview Committee on a weekly basis, outlining a list of recommendations that require extensions, together with the reason for the extension and the Director of Financial Services' and Head of Internal Audit's opinion. Managers would then be informed of the Chair's response and reason for not allowing an extension where necessary.
- 2.6 For performance management purposes 3 new local performance indicators that compares the percentage number of expected recommendations to be implemented within 3 months, 6 months and 12 months with actual – Target for all 3 new PI's 95%, with reporting of performance against these reported to OMT and Audit Overview Committee in future monitoring reports – including details where the timescales have been exceeded and the reason for this.

### **3.0 Conclusions**

- 3.1 It is anticipated that the number of applications for extensions in any one year will not be unmanageable.
- 3.2 The proposals set out above need to be discussed with the Chair of Audit Overview to ensure that this is acceptable and workable – the suggested deadline for implementation of High Risk recommendations has been amended to 3 months following discussions at OMT on 16 October.
- 3.3 Appendix A sets out details of the new proposed standard template of the Recommendation Action Plan, which has been amended to reflect the new position above.

### **4.0 Recommendations**

- 4.1 OMT note the report and approve the suggested protocols above
- 4.2 That the proposals are discussed with the Chair of Audit Overview Committee and if agreed implemented as soon as possible.

**RISK MANAGEMENT WORKING GROUP**

**5<sup>TH</sup> DECEMBER 2007**

**PROGRESS REPORT FOR  
AUDIT OVERVIEW COMMITTEE**

In the last 8 months, the Risk Management Working Group has met regularly and has further embedded risk management arrangements within this Council.

The Risk Management Working Group has revised the Risk Management Policy and Strategy and the Strategic Risk Register. Both have been approved by Cabinet. The Group has also produced an action plan to implement the 99 recommendations outlined in the Strategic Risk Register. This action plan has been reviewed in the light of Local Government Review and 7 proposed actions have been postponed. Of the remaining actions, 28 relate to the continuing operation of controls established in previous years, 8 of the new actions have been completed and work has begun on all others. Of these, 44 are scheduled for completion in 2007/08 and the remaining 12 in future years.

The Risk Management Working Group has continued to monitor the operational risk registers. All operational risk registers are being maintained on an ongoing basis and amended where necessary. New procedures have been established to ensure that all audit and health and safety risks are now included in these registers. Guidance notes have been amended accordingly. Training on health and safety risks will be provided in December and January.

The Group completed its annual self assessment of risk management arrangements in June. The Group found that the Council now complied with 89% of all good practice set out by CIPFA, compared with 71% in June 2006 and 37% in June 2005. The Group established an action plan to address weaknesses and in October 2007 reviewed this. Further progress had been made and the Council now complies with 92% of good practice. Internal Audit has also completed an audit of risk management arrangements. Internal Audit assessed these as being good, a score of 2. Internal Audit made 5 recommendations, 4 of these have already been completed and work is ongoing on the remaining one.

The Risk Management Working Group is reviewing the risk management and awareness training needs of the Council. It has commissioned St Paul's Travelers to undertake 2 half-day workshops for staff in January and February, and Human Resources have identified 18 new members of staff and through PDRs 5 existing members of staff who would benefit from this training. Two workshops have also been arranged for any interested Members, one beginning at 10.00 am and ending at 12 noon on 18<sup>th</sup> January and one from 2.00 pm to 4.00 pm on 27<sup>th</sup> February. All workshops will be held in the Conference Room at Abbey Sports Centre. The Business Development Officer is also undertaking specialised professional Risk Management training and has recently attended a Management of Risk course, successfully completing the Foundation stage.

The Risk Management Working Group has continued to monitor insurance claims.

OMT has requested that this Group assess the implications of the recent Corporate Manslaughter and Corporate Homicide Bill, which will come into force on 6 April 2008. A small sub-group has been established to take this forward.

The Risk Management Working Group has continued to maintain and improve the Council's emergency planning and business continuity arrangements. It is currently finalising the high level Influenza Pandemic Plan and amending the Council's Emergency Plan and Business Continuity Plan in the light of the recent restructure. Work has been delayed because of reduced support from the Civil Contingencies Unit due to a review of the unit and staff vacancies. The Unit is currently in the process of appointing new staff and an increased level of support should be available in the New Year.

Members are asked to support the continuing work of the Risk Management Working Group and note the progress made.