



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS  
COMMITTEE  
7 DECEMBER 2006**

# ITEM 17

Report of the Head of Audit and  
Risk Management

## FOLLOW UP AUDITS

### RECOMMENDATION

- 1.1 To approve the amendment to the approach detailed in paragraph 2.2
- 1.2 To review the schedule in Appendix 3 and approve the action proposed by the Head of Audit and Risk Management.

### SUPPORTING INFORMATION

- 2.1 At its meeting on 8 December 2005, the Committee received a report outlining the approach to reporting follow up audits. This report is attached as Appendix 2.
- 2.2 The process followed has been amended slightly to make it administratively easier to operate. As such, instead of following up each audit individually after 6 months, this will be done en masse. This will mean that, 10 weeks prior to the scheduled Committee meetings in June and December, all finalised audits over 6 months old that have not previously been followed up, will be subject to the "follow up process".
- 2.3 A follow up exercise was carried out in late September 2006, and the responses are detailed in Appendix 3. The schedule includes an assessment by the Head of Audit and Risk Management as to whether any further action should be taken in respect of each audit. This assessment is detailed in the final 2 columns of the schedule. The assessment will be whether to carry out an actual audit of the progress on implementation or whether the Audit and Accounts Committee needs to call in the Manager to explain progress.
- 2.4 Of the 39 audits followed-up, responses have been received for all. The table below summarises the overall position on the implementation of audit recommendations followed-up.

Recommendations		As per Management's Response to Follow-up Questionnaire			
Made	Accepted	Implemented	Being Implemented	Not Implemented	Superseded
337	327	232	71	20	14

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**Background papers:**

**List of appendices:**

Appendix 1 – Implications

Appendix 2 – Committee report 8 December 2005

Appendix 3 – Schedule of follow up audits

<b>IMPLICATIONS</b>
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**Financial**

1. None directly arising.

**Legal**

2. None directly arising.

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.



DERBY CITY COUNCIL

### AUDIT AND ACCOUNTS COMMITTEE 8 DECEMBER 2005

Report of the Head of Audit and  
Risk Management

## ITEM 7

### FOLLOW UP AUDITS – CHANGES TO PROCESSES

#### RECOMMENDATION

- 1.1 To approve the approach to the reporting of follow up audits to the Committee.

#### SUPPORTING INFORMATION

- 2.1 At its September meeting, members of the Committee emphasised the need for a robust approach to the follow up of audit recommendations, to ensure implementation of accepted recommendations
- 2.2 Given the limitations of audit resources, relatively few audits are currently the subject of a formal follow up audit, although many finance-based audits are revisited annually according to a programme agreed with external audit. Consequently, Internal Audit is not in a position to know whether many of the accepted recommendations have been implemented.
- 2.3 To address this, the Head of Audit and Risk Management considers that the follow up audit process needs to change. The new process will rely more on routine reporting back, with full follow up audits being the exception and will operate as follows:
- Six months following the issue of the final audit report, Internal Audit will email the relevant Assistant Director and the relevant Line Manager with a request for information on the current implementation status of the agreed recommendations. They will be supplied with a questionnaire to complete. When audit has received the response and reviewed it, a decision will be made as to whether or not a full follow-up audit is required.
  - Line Managers will be given four weeks to respond to the questionnaire, otherwise the non-response will be drawn to the attention of the Chief Officer. The Assistant Director and line managers will be copied in to this email. If, after further reminders, no response has been received after eight weeks or the

deadline of the next Committee meeting if later, the non-response will normally be reported through to the Committee.

- The results of these follow up questionnaires will be summarised in the routine quarterly progress reports to the Audit and Accounts Committee, including any non-responses, with the stage of implementation shown. Where a full follow up audit is planned or in progress this will also be shown.
- The results of full follow up audit reports will be reported on a similar basis, but the full report may then be subject to the call in procedure established for other reports. When the follow up audit report is issued to Chief Officers, managers will have a working week to challenge the accuracy of any findings before the report is treated as a final report.

2.4 Chief Officers have been consulted on this approach.

## Reporting of Follow Up Audits to the Committee

2.5 The Head of Audit and Risk Management will report on implementation to this committee in the quarterly progress reports. For each audit report issued he will indicate the number of recommendations made and accepted in the three priority categories and then the number of recommendations per implementation status as per management's response to our questionnaire. We will also include the implementation details arising from any follow-up audits we have undertaken. We will indicate to this committee those reports where we have determined that we intend to undertake a follow-up audit and will give the committee the option to request a limited amount of further follow-up audits if considered necessary.

## Example Committee Report

Job Name	Overall Control Rating	Rec. Rank	Recommendations		As per Management's Response to Follow-up Questionnaire				Follow-up Audit Required
			Made	Accepted	Implemented	Being Implemented	Superseded	Not Implemented	
Assignment 1	Satisfactory	Fundamental	0	0	0	0	0	0	No
		Significant	5	5	4	1	0	0	
		Merits Attention	12	12	7	4	1	0	
Assignment 2	Marginal	Fundamental	0	0	0	0	0	0	Yes
		Significant	5	5	1	1	1	2	
		Merits Attention	9	9	1	1	1	6	

Note: "Superseded" category includes where recommendations have been addressed through alternative measures.

**For more information contact:** Richard Boneham, Head of Audit and Risk Management, 01332 255688  
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**Background papers:** Internal Audit Annual Plan 2005/6  
**List of appendices:** Appendix 1 - Implications

<b>IMPLICATIONS</b>
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**Financial**

1. None directly arising.

**Legal**

2. Under the Accounts and Audit Regulations 2003, the Council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. Internal Audit contributes through its review work on the major corporate risks to the Council achieving corporate objectives and priorities. This is achieved by the audit of key systems and corporate governance issues and the associated risks. The work of Internal Audit is also relevant to the priority of 'value for money'.

## Appendix 3

Job Name	Overall Control Rating	Rec. Rank	Recommendations		As per Management's Response to Follow-up Questionnaire				Reasons to Call-in or not	Call-in	Follow-up Audit Required
			Made	Accepted	Implemented	Being Implemented	Not Implemented	Superseded			
Regeneration & Community Department											
D&CS Payroll: Starters, Leavers and Variations	Satisfactory	Fundamental	0	0	0	0	0	0	The not implemented and superseded recommendations relate to areas transferred to the TSC which is to be audited this year.	No	No
		Significant	5	5	2	1	1	1			
		Merits Attention	12	12	6	3	1	2			
On and Off-Street Parking: Income and Fines	Satisfactory	Fundamental	0	0	0	0	0	0	Action taken to date has not addressed all of the control weaknesses identified as expected.	Yes	No
		Significant	2	2	1	0	1	0			
		Merits Attention	9	9	5	0	3	1			
Neighbourhood Involvement Programme (NIP)	N/A	Fundamental	0	0	0	0	0	0	The project has now closed and has since been audited by GOEM.	No	No
		Significant	6	5	6	0	0	0			
		Merits Attention	0	0	0	0	0	0			
Community Partnership Working - Financial Governance Arrangements	N/A	Fundamental	0	0	0	0	0	0	Many of the community groups no longer exist, hence the superseded responses.	No	No
		Significant	5	4	3	0	0	2			
		Merits Attention	5	3	3	0	1	1			
Children & Young People's Department											
Springfield Primary	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSiS by March 2010.	No	No
		Significant	6	4	4	0	2	0			
		Merits Attention	11	11	9	2	0	0			
Investigation - Sinfin Community School	N/A	Fundamental	0	0	0	0	0	0	Subsequently audited in Jan 2006 in preparation for the FMSiS external assessment due to take place in Dec / Jan 2007.	No	No
		Significant	1	1	1	0	0	0			
		Merits Attention	6	6	4	2	0	0			
The Café, SureStart Osmaston / Allenton	Marginal	Fundamental	0	0	0	0	0	0	Comprehensive details of actions taken to date have been provided in the responses received and subsequent discussions have taken place with the Programme Manager.	No	No
		Significant	5	5	3	2	0	0			
		Merits Attention	6	6	4	2	0	0			
Cavendish Close Junior School	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSiS by March 2010.	No	No
		Significant	8	8	5	2	1	0			
		Merits Attention	17	17	11	5	0	1			

Job Name	Overall Control Rating	Rec. Rank	Recommendations		As per Management's Response to Follow-up Questionnaire				Reasons to Call-in or not	Call-in	Follow-up Audit Required
			Made	Accepted	Implemented	Being Implemented	Not Implemented	Superseded			
Cherry Tree Hill Infant School	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSIS by March 2010.	No	No
		Significant	6	6	5	1	0	0			
		Merits Attention	13	13	12	1	0	0			
Breadsall Hill Top Infant School	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSIS by March 2010.	No	No
		Significant	9	9	8	1	0	0			
		Merits Attention	12	12	7	3	0	2			
Wren Park Primary School	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSIS by March 2010.	No	No
		Significant	5	5	4	1	0	0			
		Merits Attention	9	9	5	4	0	0			
Schools: Ordering and Invoice Processing	N/A	Fundamental	0	0	0	0	0	0	Details of actions taken to date have been provided and confirmed. Issues are covered as part of school's audit programme.	No	No
		Significant	8	8	8	0	0	0			
		Merits Attention	7	6	6	0	1	0			
Cherry Tree Hill Junior School	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSIS by March 2010.	No	No
		Significant	8	8	5	3	0	0			
		Merits Attention	9	9	7	1	0	1			
Investigation Children's Centres – Record Keeping	N/A	Fundamental	0	0	0	0	0	0	Responses indicate that little action has been taken and similar weaknesses have been identified in audit of Bute Walk Children's Centre in 2006/07.	Yes	No
		Significant	4	3	4	0	0	0			
		Merits Attention	2	2	2	0	0	0			
Becket Primary School	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSIS by March 2010.	No	No
		Significant	4	4	4	0	0	0			
		Merits Attention	4	4	3	1	0	0			
Pupil Level Annual Schools Census (PLASC)	Good	Fundamental	0	0	0	0	0	0	Introduction of the Central Pupil Database has provided better insight into schools systems and accuracy and completeness checks undertaken.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	2	2	1	0	0	1			
Investigation: Moorfield Children's Centre - Theft of Petty Cash	N/A	Fundamental	0	0	0	0	0	0	All recommendations were implemented at the time of the audit. No further incidents at this centre have been brought to our attention.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	3	3	3	0	0	0			



Job Name	Overall Control Rating	Rec. Rank	Recommendations		As per Management's Response to Follow-up Questionnaire				Reasons to Call-in or not	Call-in	Follow-up Audit Required
			Made	Accepted	Implemented	Being Implemented	Not Implemented	Superseded			
St. Chad's CE Nursery and Infant School	N/A	Fundamental	0	0	0	0	0	0	All primary schools will be assessed against the FMSiS by March 2010.	No	No
		Significant	6	6	6	0	0	0			
		Merits Attention	10	10	10	0	0	0			
Resources & Housing Department											
Revenues & Benefits: Document Image Processing System	Satisfactory	Fundamental	0	0	0	0	0	0	Implementation of certain recommendations is out of the Line Manager's control, 2 are reliant on the corporate production of an Information Management Policy.	No	No
		Significant	3	3	0	2	1	0			
		Merits Attention	5	5	3	0	2	0			
Council Tax: Collections	Good	Fundamental	0	0	0	0	0	0	Line Manager has regularly kept us informed of implementation status and this area is revisited each year under the managed audit arrangements.	No	No
		Significant	1	1	1	0	0	0			
		Merits Attention	4	4	4	0	0	0			
NNDR: Refunds and Recovery	Good	Fundamental	0	0	0	0	0	0	Line Manager has regularly kept us informed of implementation status and this area is revisited each year under the managed audit arrangements.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	1	1	1	0	0	0			
Council Tax - Valuation	Good	Fundamental	0	0	0	0	0	0	Line Manager has regularly kept us informed of implementation status and this area is revisited each year under the managed audit arrangements.	No	No
		Significant	1	1	0	1	0	0			
		Merits Attention	4	4	3	1	0	0			
NNDR: Liability	Good	Fundamental	0	0	0	0	0	0	Line Manager has regularly kept us informed of implementation status and this area is revisited each year under the managed audit arrangements.	No	No
		Significant	1	1	1	0	0	0			
		Merits Attention	1	1	1	0	0	0			
Debtors - Central Function	Good	Fundamental	0	0	0	0	0	0	As this area is revisited each year under the managed audit arrangements, implementation status will be checked in this year's audit.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	14	13	6	6	2	0			
Creditors - Central Function	Good	Fundamental	0	0	0	0	0	0	As this area is revisited each year under the managed audit arrangements, implementation status will be checked in this year's audit.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	2	2	2	0	0	0			
Corporate Credit Cards	Satisfactory	Fundamental	0	0	0	0	0	0	The scheme has not been expanded as was anticipated, therefore implementation of recommendations has not been necessary.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	18	18	0	14	3	1			

Job Name	Overall Control Rating	Rec. Rank	Recommendations		As per Management's Response to Follow-up Questionnaire				Reasons to Call-in or not	Call-in	Follow-up Audit Required
			Made	Accepted	Implemented	Being Implemented	Not Implemented	Superseded			
Supporting People - Contracts	Good	Fundamental	0	0	0	0	0	0	There has been further Audit involvement in this area which gives us confidence that implementation status is correct.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	1	1	1	0	0	0			
Creditors 2005-6: NNDR Refunds	N/A	Fundamental	0	0	0	0	0	0	Evidence of implementation has been submitted and scrutinised by Audit.	No	No
		Significant	1	1	1	0	0	0			
		Merits Attention	0	0	0	0	0	0			
Compliance with the Data Protection Act	Good	Fundamental	0	0	0	0	0	0	Comprehensive details of actions taken to date have been provided in the responses received.	No	No
		Significant	2	2	1	1	0	0			
		Merits Attention	6	6	4	1	0	1			
Processing of Housing & Council Tax Benefit	Good	Fundamental	0	0	0	0	0	0	This area is revisited each year under the managed audit arrangements, implementation delays have occurred due to new benefit system.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	8	8	7	1	0	0			
Benefit Overpayments	Good	Fundamental	0	0	0	0	0	0	This area is revisited each year under the managed audit arrangements, implementation delays have occurred due to new benefit system.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	2	2	1	1	0	0			
Treasury Management - The Prudential Code	Good	Fundamental	0	0	0	0	0	0	As this area is revisited each year under the managed audit arrangements, implementation status will be checked in this year's audit.	No	No
		Significant	0	0	0	0	0	0			
		Merits Attention	6	6	5	1	0	0			
Treasury Management 2005-6	Satisfactory	Fundamental	0	0	0	0	0	0	As this area is revisited each year under the managed audit arrangements, implementation status will be checked in this year's audit.	No	No
		Significant	2	2	2	0	0	0			
		Merits Attention	3	3	1	2	0	0			
Environmental Services Department											
HR/Payroll: Starters, Leavers and Variations (Stores Road)	Good	Fundamental	0	0	0	0	0	0	Happy with the responses received. 1 recommendation cannot be fully implemented until the corporate restructure is complete.	No	No
		Significant	2	2	1	1	0	0			
		Merits Attention	7	7	6	1	0	0			
HR/Payroll: Starters, Leavers & Variations (London Road)	Good	Fundamental	0	0	0	0	0	0	Happy with the responses received. 1 recommendation cannot be fully implemented until the corporate restructure is complete.	No	No
		Significant	2	2	1	1	0	0			
		Merits Attention	5	5	5	0	0	0			

Job Name	Overall Control Rating	Rec. Rank	Recommendations		As per Management's Response to Follow-up Questionnaire				Reasons to Call-in or not	Call-in	Follow-up Audit Required
			Made	Accepted	Implemented	Being Implemented	Not Implemented	Superseded			
Corporate & Adult Social Services Department											
Social Services Debt Management	Marginal	Fundamental	0	0	0	0	0	0	Responses are brief and Audit would like to establish how the corporate restructure has affected the process.	No	Yes
		Significant	6	6	4	2	0	0			
		Merits Attention	4	3	3	0	1	0			