



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
19 FEBRUARY 2007**

Report of the Head of Audit and
Risk Management

ITEM 11

INTERNAL AUDIT – QUARTERLY UPDATE

RECOMMENDATION

- 1.1 To note the activity and performance of Internal Audit in the period 1 October 2006 to 31 January 2007 and to comment accordingly.
- 1.2 To determine which if any audit report should be subject to a follow up report to the April 2007 Audit and Accounts Committee meeting.
- 1.3 To approve the changes to the 2006/7 audit plan as detailed in Appendix 5.

SUPPORTING INFORMATION

- 2.1 The Internal Audit Plan for 2006/7 was approved by Committee at its meeting on 6 April 2006. This report summarises the internal audit work completed in the period from 1 October 2006 to 31 January 2007 and seeks a decision by the Committee to determine the audit reports it wishes to review in more detail at the meeting in April 2007.

Summary of internal audit activity – 1 October 2006 to 31 January 2007

- 2.2 Appendix 2 summarises the output of internal audit for the period. The position at the end of the previous period (1 April to 30 September 2006) is shown to reflect the starting point for the period. During the period 1 October 2006 to 31 January 2007, 21 audits were finalised. This total includes 2 audits for external bodies. The total number of audits finalised for the year to date is 76.
- 2.3 Appendix 3 provides details of internal audit's overall opinion on the adequacy of the level of internal control for each system reviewed in the period and the number of recommendations made for each review. Table 1 following provides an analysis of audit opinion on the system of control. Appendix 4 provides members with the main issues relating to each completed audit.

Table 1: Overall Audit Opinion in Final Reports issued in the period 1 October 2006 to 31 January 2007, by Department.

| Department | Good | Satisfactory | Marginal | Unsatisfactory | Unsound | No Opinion | Total |
|-----------------------------------|------|--------------|----------|----------------|---------|------------|-------|
| Regeneration & Community | 1 | | 1 | 1 | | | 3 |
| Children & Young People | 3 | 2 | | | | 1 | 6 |
| Resources & Housing | 2 | 1 | | | | 5 | 8 |
| Environmental Services | | 1 | | | | | 1 |
| Corporate & Adult Social Services | 1 | | | | | | 1 |
| Total | 7 | 4 | 1 | 1 | | 6 | 19 |

Note: No opinion includes all investigation and certification work and audits providing advice on controls and systems where no report was written. This table does not include any audits undertaken on behalf of external bodies.

- 2.4 As a general policy, all audits leading to a rating of “unsound” or “unsatisfactory” will be brought to the Committee’s specific attention. Members should therefore note from Appendix 3 that there is one audit review which have been rated as unsatisfactory.
- 2.5 In the case of “unsound” or “unsatisfactory” opinions, should they be school audits, then the issues are primarily ones for the Governing Body and should not be called in. It was however agreed at the meeting on 6 April 2006 that the Corporate Director for Children and Young People should report back to the Committee on the control issues raised in these audits and the progress being made by the school to implement the necessary improvements. Internal audit also asks schools to positively confirm that the full report is considered either by the full school Governing Body or a Committee of the Governing Body. Any cases where this is not done will be reported back to this Committee.
- 2.6 The audit plan is a flexible document and it is inevitably subject to some changes during the year as a result of emerging issues and changes in staffing resources. Appendix 5 details changes to the audit plan and the reasons why. Prior to 1 October 2006, 27 new jobs had been added to the plan, while 21 jobs had been removed from the plan (Audit and Accounts Committee 25 October 2006). Our current assessment is that a further 11 audits will need to be removed from the plan to release resources to undertake 13 unplanned jobs.
- 2.7 At the meeting on 7 December 2006, the Head of Audit and Risk Management reported that one area of variation with CIPFA’s guidance on the role of Audit Committees was in relation to information obtained by internal audit from the quality control questionnaires (QCQ) that are issued with each final audit report. The Guidance expects that this information is reported to the Audit and Accounts Committee for review. It was agreed by Committee that the feedback received via the QCQs would be reported to this Committee as part of the Internal Audit Quarterly Update. The feedback received from the Quality Control Questionnaires is shown in Appendix 6.

For more information contact: Richard Boneham, Head of Audit and Risk Management, 01332 255688
richard.boneham@derby.gov.uk

Background papers:

List of appendices:

Appendix 1 - Implications

Appendix 2 - Internal Audit Output Summary

Appendix 3 - Opinion and Issues/Recommendations Made and/or
Accepted in Audits Finalised during the period 1 October
2006 to 31 January 2007

Appendix 4 – Main issues arising from audits completed during the period
1 October 2006 to 31 January 2007

Appendix 5 - Changes to the Internal Audit Plan 2006/7

Appendix 6 – Feedback from Quality Control Questionnaires

| |
|---------------------|
| IMPLICATIONS |
|---------------------|

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. 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.

Internal Audit Output Summary – 2006/7 Audit Reviews

| AUDIT OUTPUT | | | | | | | | | |
|-----------------------------------|-------------|---------------|-----------|-----------|-----------------|----------|--------------|--------------|------------|
| Actual to 30 September 2006 | | | | | | | | | |
| | No. of Jobs | Not Allocated | Allocated | Started | Awaiting Review | Reviewed | Draft Report | Final Report | Total |
| Current Year Reviews | | | | | | | | | |
| Regeneration & Community | 6 | 2 | | 2 | | | 1 | 1 | 6 |
| Children & Young People | 48 | 27 | 1 | 3 | 4 | 3 | 2 | 8 | 48 |
| Resources & Housing | 32 | 14 | 4 | 10 | 1 | | | 3 | 32 |
| Environmental Services | 8 | 1 | 1 | 2 | 1 | | | 3 | 8 |
| Corporate & Adult Social Services | 9 | 1 | 1 | 2 | 3 | | | 2 | 9 |
| External Bodies | 14 | 5 | 1 | 4 | 3 | | 1 | | 14 |
| CURRENT YEAR TOTAL | 117 | 50 | 8 | 23 | 12 | 3 | 4 | 17 | 117 |
| B/Fwd Work | | | | | | | | | |
| Regeneration & Community | 6 | | | | | | 2 | 4 | 6 |
| Children & Young People | 18 | | | | 1 | | 5 | 12 | 18 |
| Resources & Housing | 9 | | | | | | | 9 | 9 |
| Environmental Services | 2 | | | | | | | 2 | 2 |
| Corporate & Adult Social Services | 3 | | | | | | | 3 | 3 |
| External Bodies | 8 | | | | | | | 8 | 8 |
| B/FWD TOTAL | 46 | | | | 1 | | 7 | 38 | 46 |
| Combined Figures | | | | | | | | | |
| Regeneration & Community | 12 | 2 | | 2 | | | 3 | 5 | 12 |
| Children & Young People | 66 | 27 | 1 | 3 | 5 | 3 | 7 | 20 | 66 |
| Resources & Housing | 41 | 14 | 4 | 10 | 1 | | | 12 | 41 |
| Environmental Services | 10 | 1 | 1 | 2 | 1 | | | 5 | 10 |
| Corporate & Adult Social Services | 12 | 1 | 1 | 2 | 3 | | | 5 | 12 |
| External Bodies | 22 | 5 | 1 | 4 | 3 | | 1 | 8 | 22 |
| COMBINED TOTAL | 163 | 50 | 8 | 23 | 13 | 3 | 11 | 55 | 163 |

| AUDIT OUTPUT | | | | | | | | | |
|-----------------------------------|-------------|---------------|-----------|-----------|-----------------|----------|--------------|--------------|------------|
| Actual to 31 January 2007 | | | | | | | | | |
| | No. of Jobs | Not Allocated | Allocated | Started | Awaiting Review | Reviewed | Draft Report | Final Report | Total |
| Current Year Reviews | | | | | | | | | |
| Regeneration & Community | 9 | | | 2 | 5 | | | 2 | 9 |
| Children & Young People | 33 | | 3 | 10 | 5 | 1 | 4 | 10 | 33 |
| Resources & Housing | 32 | | 1 | 11 | 8 | | 1 | 11 | 32 |
| Environmental Services | 9 | | 1 | 1 | 3 | | | 4 | 9 |
| Corporate & Adult Social Services | 10 | | 1 | 2 | 3 | | 1 | 3 | 10 |
| External Bodies | 13 | 2 | | 3 | 4 | | 2 | 2 | 13 |
| CURRENT YEAR TOTAL | 106 | 2 | 6 | 29 | 28 | 1 | 8 | 32 | 106 |
| B/Fwd Work | | | | | | | | | |
| Regeneration & Community | 6 | | | | | | | 6 | 6 |
| Children & Young People | 18 | | | | 1 | | 1 | 16 | 18 |
| Resources & Housing | 9 | | | | | | | 9 | 9 |
| Environmental Services | 2 | | | | | | | 2 | 2 |
| Corporate & Adult Social Services | 3 | | | | | | | 3 | 3 |
| External Bodies | 8 | | | | | | | 8 | 8 |
| B/FWD TOTAL | 46 | | | | 1 | | 1 | 44 | 46 |
| Combined Figures | | | | | | | | | |
| Regeneration & Community | 15 | | | 2 | 5 | | | 8 | 15 |
| Children & Young People | 51 | | 3 | 10 | 6 | 1 | 5 | 26 | 51 |
| Resources & Housing | 41 | | 1 | 11 | 8 | | 1 | 20 | 41 |
| Environmental Services | 11 | | 1 | 1 | 3 | | | 6 | 11 |
| Corporate & Adult Social Services | 13 | | 1 | 2 | 3 | | 1 | 6 | 13 |
| External Bodies | 21 | 2 | | 3 | 4 | | 2 | 10 | 21 |
| COMBINED TOTAL | 152 | 2 | 6 | 29 | 29 | 1 | 9 | 76 | 152 |

Internal Audit Output

Opinion and Issues/Recommendations Made and/or Accepted in Audits Finalised during the period 1 October 2006 to 31 January 2007

| Job Name | Overall control rating | Issues Raised / Recommendations Made | | | Issues Accepted | | |
|----------------------------------------------------------------|------------------------|--------------------------------------|--------------|------------------|-----------------|--------------|------------------|
| | | Funda-mental | Signif-icant | Merits Attention | Funda-mental | Signif-icant | Merits Attention |
| Regeneration and Community | | | | | | | |
| Derby Advertising Video and Information Screen (DAVIS) Project | Unsatisfactory | 0 | 8 | 4 | 0 | 8 | 4 |
| Client Monitoring: Horticultural Maintenance | Marginal | 0 | 4 | 6 | 0 | 4 | 6 |
| Building Control | Good | 0 | 3 | 4 | 0 | 3 | 4 |
| Children and Young People | | | | | | | |
| St Peters CE (Aided) Junior School | Good | 0 | 2 | 20 | 0 | 2 | 20 |
| Redwood Junior School | Good | 0 | 1 | 26 | 0 | 1 | 26 |
| da Vinci Community College | Satisfactory | 0 | 3 | 22 | 0 | 3 | 22 |
| Merrill College | Satisfactory | 0 | 3 | 18 | 0 | 3 | 18 |
| Markeaton Primary School | Good | 0 | 2 | 18 | 0 | 2 | 18 |
| Investigation: Bute Walk Petty Cash | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Resources and Housing | | | | | | | |
| Anti-Fraud & Corruption Strategy | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Confidential Reporting Code | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Anti-Money Laundering Policy | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Risk Management Strategy | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| LPSA 1 Pump Priming Certification | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Main Accounting System | Good | 0 | 0 | 3 | 0 | 0 | 3 |
| Council Tax – Billing & Write-offs | Satisfactory | 0 | 2 | 5 | 0 | 2 | 5 |
| NNDR – Billing & Refunds | Good | 0 | 1 | 2 | 0 | 1 | 2 |
| Environmental Services | | | | | | | |
| BV218a & b Abandoned Vehicles | Satisfactory | 0 | 2 | 4 | 0 | 2 | 4 |
| Corporate and Adult Social Services | | | | | | | |
| The Knoll Hostel | Good | 0 | 0 | 6 | 0 | 0 | 6 |
| Total Recommendations Made – Final reports | | 0 | 31 | 138 | 0 | 31 | 138 |

This Appendix does not include the 2 audits finalised in respect of Internal Audit's external contracts.

Summary of Audits Finalised during the period 1 October 2006 to 31 January 2007

Introduction

The main findings in final audit reports issued are summarised below. It should be noted that this summary comments on key weaknesses found, as this is the focus of the recommendations. The full audit reports give a more rounded picture of the overall control environment, and to appreciate this broader picture, members should also take note of the overall control rating and the controls that were tested and found to be adequate.

Regeneration and Community

Derby Advertising Video and Information Screen (DAVIS) Project

Overall control rating: Unsatisfactory

Following a request from Jonathan Guest, Corporate Director – Regeneration and Community, an audit review was undertaken into the contract relating to the installation of the Derby Advertising Video and Information Screen (DAVIS) above the Midlands Co-operative Store at the junction of East Street and Exchange Street.

The following issues were considered to be the key control weaknesses:

- Contract specifications were not prepared for the DAVIS project and the advertising contract and appropriate waivers from the relevant Contracts Procedures Rules were not obtained.
- The Council's IT Manager was not consulted prior to the procurement of the screen, which contained display electronics, operating software and communications links, and an appropriate waiver from the relevant Contracts Procedures Rules was not obtained.
- A single quotation was obtained from Jayex. No other firm was approached to provide competition and formal tender submissions were not requested. Waivers were not sought from the Council Cabinet to justify the reasons for not adhering to the Council's Contracts Procedures Rules. The eventual contract value with Jayex was for £80,500.
- As formal tender submissions were not requested a number of other tender related Contracts Procedures Rules were not adhered to.
- The advertising contract awarded to City Publications was deemed to be of a specialist nature and the requirement to obtain quotes or tenders was considered inappropriate. However, an appropriate waiver was not obtained from the provision of Contracts Procedures Rules.
- The post-tender negotiations for the procurement of the DAVIS lacked the formal approval for the negotiations to commence. In addition, only one officer was involved with directly negotiating with Jayex. The signature of the officer involved in the negotiation is not on file, nor is the signature of the representatives of Jayex. Furthermore, there is no written record on file of the agreement to the negotiated price by the Director of Development and Cultural Services and the Director of Finance.

- The lack of adequate project management controls appear to have significantly contributed to the project's delay of 21 months.
- Governance arrangements for the CCMT were ineffective as the Council was unexpectedly subjected to a contractual and financial commitment by a member of its own staff acting on behalf of the CCMT.

This report contained 12 recommendations, 8 were considered significant and 4 merited attention. All 12 of the issues raised within this report were accepted. Positive action was agreed to be taken on each of the recommendations. It was intended that all recommendations would be implemented by February 2007.

Client Monitoring: Horticultural Maintenance

Overall control rating: Marginal

This audit focused on horticultural maintenance which includes cutting of the highway verges, trees, hedges, planted cultivated areas and some tree maintenance work. From the 30 key controls evaluated in this audit review, 12 were considered to provide adequate control and 18 contained weaknesses. The following issues were considered to be the key control weaknesses:

- There is no formal partnering agreement between Street Care and the Parks Section for the delivery of the horticultural maintenance service.
- There are no agreed quality measures, performance standards or targets, which the client can use to monitor the quality of the horticultural maintenance service being delivered by the Parks Section.
- Street Care does not inspect the work undertaken by the Parks Section on either a programmed or random basis.
- Management information is not produced to enable the performance of the horticultural maintenance service to be properly assessed.

This report contained 9 recommendations, 4 were considered significant and 5 merited attention. All 9 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues by October 2007.

Building Control

Overall control rating: Good

This audit focused on the income received from Building Regulation charges, online applications and income and the controls regarding the processing of applications. From the 63 key controls evaluated in this audit review, 55 were considered to provide adequate control and only 8 contained weaknesses. The following issues were considered to be the key control weaknesses:

- Officers are not required to formally declare potential conflicts of interest in relation to Building Regulation applications that are submitted to the Council and officers are allowed to deal with any such applications.
- Income received at Roman House reception was not appropriately secured as the keys to the cash tin and filing cabinet, where income is held, were readily accessible to unauthorised personnel.
- Income received via the post at Roman House is not appropriately recorded in a postal remittance register.

This report contained 7 recommendations, 3 were considered significant, 4 merited attention, and none are considered to be fundamental. All recommendations were accepted. Positive action had already been taken for 3 recommendations and was agreed to be taken for the remaining 4 recommendations by April 2007.

Children and Young People

St Peters CE (Aided) Junior School

Overall control rating: Good

This audit was undertaken as part of the 2005/06 cycle of school audits and at the request of the newly appointed Headteacher, whose appointment followed cover by 4 Acting Heads. The purpose of the audit was to reassure the school's management, the LA and the Corporate Director - Resources and Housing that the school's internal controls were adequate and being operated correctly.

- The following issues were considered to be the key control weaknesses which presented the more significant risk:
- Quotes for purchases between £1k - £5k were not obtained in accordance with the Scheme for Funding Schools.
- The school fund accounts have not been audited and submitted to the Governing Body since 2000/01.

From the 169 key controls evaluated in this audit review, 139 were considered to provide adequate control and only 29 contained weaknesses. Testing revealed no further weaknesses in those controls considered adequate. This report contained 22 recommendations, 2 were considered significant, 20 merit attention, and none were considered to be fundamental. Management have agreed to take positive action to address all of the control weaknesses identified.

Redwood Junior School

Overall control rating: Good

This audit was undertaken as part of the 2005/06 cycle of school audits. The purpose of the audit was to reassure the school's management, the LA and the Corporate Director – Resources and Housing that the school's internal controls were adequate and being operated correctly.

The following issue was considered to be the key control weakness which presented the more significant risk:

The school does not have in place a formal scheme of delegation clearly defining financial limits of authority for the Headteacher, the Committees and finance staff..

From the 141 key controls evaluated in this audit review, 102 were considered to provide adequate control and only 39 contained weaknesses. This report contained 27 recommendations, 1 was considered significant, 26 merited attention, and none are considered to be fundamental. Management have agreed to take positive action to address all of the control weaknesses identified.

da Vinci Community College

Overall control rating: Satisfactory

This audit was undertaken as part of the 2005/06 cycle of school audits. The purpose of the audit was to reassure the school's management, the LA and the Corporate Director - Resources and Housing that the school's internal controls were adequate and being operated correctly. It also reviewed the extent of compliance with internal controls relevant to the achievement of the DfES Financial Management Standard in Schools (FMSiS), which is currently the subject of further assessment.

The following issues were considered to be the key control weaknesses which presented the more significant risk:

- The school does not have complete and up-to-date terms of reference and roles and responsibilities in place for the Governing Body and all its Committees.
- The school does not have in place a comprehensive scheme of delegation clearly defining financial limits of authority for the Headteacher, the Committees and finance staff. The school's delegated financial limits are currently restricted to delegated limits for authorising purchases and virements.
- The school's Financial Regulations / Procedures do not reflect the requirements detailed in the LA Scheme for Funding Schools in respect of the obtaining of written quotes and inviting of tenders.

From the 110 controls evaluated in this audit review, 68 were considered to provide adequate control and only 42 contained weaknesses. Of the 110 controls examined, 64 related to the Financial Management Standard. Of these, 37 were found to be adequate. This report contained 25 recommendations, 3 were considered significant and 22 merited attention. Of the 25 recommendations made, 18 related to the Financial Management Standard. Management have resolved to take action regarding all recommendations, with proposed implementation dates all prior to March 2007.

Merrill College

Overall control rating: Satisfactory

This audit was undertaken as part of the 2005/06 cycle of school audits. The purpose of the audit was to reassure the school's management, the LA and the Corporate Director - Resources and Housing that the school's internal controls were adequate and being operated correctly. It also reviewed the extent of compliance with internal controls relevant to the achievement of the DfES Financial Management Standard in Schools (FMSiS), which is currently the subject of further assessment.

The following issues were considered to be the key control weaknesses which presented the more significant risk:

- The college does not have in place a comprehensive scheme of delegation clearly defining financial limits of authority for the Headteacher, the Committees and finance staff.
- The college's Financial Procedures do not reflect the requirements detailed in the LEA Scheme for Funding Schools in respect of the obtaining of written quotes and inviting of tenders.
- It is common practice at the college to under-bank income and use the under-banked amounts to top-up the imprest petty cash float.

From the 124 key controls evaluated in this audit review, 100 were considered to provide adequate control and 24 contained weaknesses. Of the 124 controls examined, 67 related to the Financial Management Standard. Of these, 52 were found to be adequate.

This report contains 21 recommendations, 3 were considered significant, 18 merited attention, and none were considered to be fundamental. Of the 21 recommendations made, 14 related to the Financial Management Standard. Management have agreed to take positive action to address 20 of the control weaknesses identified, with proposed implementation dates all prior to March 2007. It was noted however, that one recommendation relied upon the work of Education Finance. One recommendation (recommendation 20) was rejected. This recommendation was rated as significant and related to the under-banking of income to replenish the imprest petty cash account using under banked income. We asked that the school re-considered its rejection of this recommendation.

Markeaton Primary School

Overall control rating: Good

This audit was undertaken as part of the 2005/06 cycle of school audits. The purpose of the audit was to reassure the school's management, the LA and the Corporate Director - Resources and Housing that the school's internal controls were adequate and being operated correctly. It also reviewed the extent of compliance with internal controls relevant to the achievement of the DfES Financial Management Standard in Schools (FMSiS), which is currently the subject of further assessment.

The following issues were considered to be the key control weaknesses which presented the more significant risk:

- The school has not established terms of reference for the full Governing Body.
- The school does not have in place a formal, comprehensive scheme of delegation clearly defining financial limits of authority and signatory levels. The school's delegated financial limits are currently restricted to those for placing orders. Delegated financial limits have not been determined for other types of financial transaction, for example, delegated limits for authorising virements and inventory disposals.

From the 108 key controls evaluated in this audit review, 86 were considered to provide adequate control and only 22 contained weaknesses. Of the 108 controls examined, 63 relate to the Financial Management Standard. Of these, 44 were found to be adequate.

This report contained 20 recommendations, 2 were considered significant, 18 merited attention, and none are considered to be fundamental. Of the 20 recommendations made, 17 related to the Financial Management Standard. Management have agreed to take positive actions to address all of the control weaknesses identified, with proposed implementation dates all prior to January 2008.

Investigation: Bute Walk Petty Cash

Overall control rating: N/A

This audit was undertaken at the request of the Children & Young People's Finance section. We looked at the returns and vouchers for the Bute Walk imprest account since it was reinstated. We found there to be no improvement in procedures and controls employed at the centre since our last visit and recommended that the centre be required to submit a weekly return rather than a monthly one, which included a copy of the cash book to confirm

the reconciliation undertaken. We also recommended that the return clearly showed any surplus or deficits and these be investigated in a timely manner.

Resources and Housing

Anti-Fraud & Corruption Strategy

Overall control rating: N/A

The Head of Audit and Risk Management reviewed this strategy and submitted the revised version for formal approval by the Audit and Accounts Committee at its meeting on 25 October 2006.

Confidential Reporting Code

Overall control rating: N/A

The Head of Audit and Risk Management reviewed this code in conjunction with the Corporate Director of Corporate and Adult Social Services and submitted an amended version for formal approval by the Audit and Accounts Committee at its meeting on 25 October 2006.

Anti-Money Laundering Policy

Overall control rating: N/A

The Head of Audit and Risk Management produced this policy in response to the Money Laundering Regulations 2003. It was reviewed and formally approved by the Audit and Accounts Committee at its meeting on 25 October 2006.

Risk Management Strategy

Overall control rating: N/A

The Head of Audit and Risk Management reviewed this strategy and a new strategy was produced for formal approval by the Audit and Accounts Committee at its meeting on 7 December 2006.

LPSA 1 Pump Priming Certification

Overall control rating: N/A

The grant conditions require authorities to provide information/certification to confirm that the pump priming grant paid in respect of our Local PSA has been used to support eligible expenditure. We were satisfied that:

- The authority had defrayed an amount of expenditure not less than the amount of the pump-priming grant.
- The grant had been used for expenditure in accordance with Schedule 3 to the Local PSA, or otherwise agreed by the Secretary of State.
- The grant had been used in the amounts specified in that Schedule, or otherwise agreed with the Secretary of State.

Accordingly, a duly certified statement was submitted to DCLG along with a claim schedule to release the second instalment of the Performance Reward Grant.

Main Accounting System

Overall control rating: Good

This audit was undertaken as part of the Managed Audit Programme for 2006/07. From the 19 key controls evaluated in this audit review, 13 were considered to provide adequate control and only 6 contained weaknesses. The following issues were considered to be the only control weaknesses:

- The version of the Financial Procedure Rules available from the intranet "Document Library" is outdated.
- Timeliness of the reconciliation of feeder system control accounts and long outstanding balancing items on these.
- Lack of procedure documentation and timetable for the completion of the Whole of Government Accounts return.

This report contained 3 recommendations, all of which were classified as merits attention. All 3 the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action was already being taken in respect of 1 recommendation and actions on the remaining 2 were agreed to be taken by 31 January 2007.

Council Tax – Billing & Write-offs

Overall control rating: Satisfactory

This audit focused on the new procedures in relation to billing and write-offs brought about by the change over to the new Academy revenues and benefits system. From the 16 key controls evaluated in this audit review, 10 were considered to provide adequate control and only 6 contained weaknesses. The following issues were considered to be the key control weaknesses:

- All system users have access to the billing and recovery suppression facility and suppressions are not regularly reviewed for appropriateness by senior officers.
- The parameters for the circumstance code write-off report have to be entered each time the report is generated which may lead to errors and inappropriate write-offs.

This report contained 7 recommendations, 2 were considered significant, 5 merited attention, and none were considered to be fundamental. All 7 the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action had already been taken in respect of 3 recommendations and actions on a further 2 were agreed to be taken by 28 February 2007. Work to complete the procedure manual was not expected to be finished until the end of December 2007 and work to ensure that all Adjustment Notices contain a reason for issue still needed to be agreed with Academy.

NNDR – Billing & Refunds

Overall control rating: Good

This audit focused on the new procedures in relation to billing and refunds brought about by the change over to the new Academy revenues and benefits system. From the 17 key controls evaluated in this audit review, 13 were considered to provide adequate control and 4 contained weaknesses. The following issue was considered to be the key control weakness:

- All NNDR users have access to the billing and recovery suppression facility and there was insufficient evidence of suppression reports being reviewed for appropriateness by a senior officer. There was also a lack of documented reasons or evidence for suppressed accounts.

This report contained 3 recommendations, none of which were considered fundamental, 1 of which was considered significant and 2 merited attention. All 3 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action in respect of 2 recommendations was to be completed by the end of March 2007 and work to complete the procedure manual was an ongoing project with a target end date of December 2007.

Environmental Services

BV218a & b Abandoned Vehicles

Overall control rating: Satisfactory

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Council's to have in place effective arrangements for the monitoring and review of data quality. Internal Audit's review of the accuracy and completeness of performance information forms part of these arrangements. The Change Management and Performance Section's performance indicator risk assessment, based on CPA/LPSA status, previous errors or significant movements in outturn results, identified a list of high risk indicators. BV 218 a "the percentage of new reports of abandoned vehicles investigated within 24 hours of notification" and 218 b "the percentage of abandoned vehicles removed within 24 hours from the point at which the authority is legally entitled to remove the vehicle" were included in the sample of performance indicators selected for review.

From the 25 key controls evaluated in this audit review, 21 were considered to provide adequate control and only 4 contained weaknesses. The following issues were considered to be the key control weaknesses:

- Performance figures are extracted from the Environmental Health database (APP) before all input for the period is complete.
- The 2006/07 cumulative figures posted to Performance Eye have not been correctly calculated.

This report contained 6 recommendations, 2 were considered significant, 4 merited attention, and none were considered to be fundamental. All 6 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action was already being taken in respect of 5 recommendations and actions on the remaining 1 were agreed to be taken by 8 January 2007.

Corporate and Adult Social Services

The Knoll Hostel

Overall control rating: Good

This audit was carried out at the request of the former Social Services Finance Section, following their investigation, in previous years, into reported cash losses from the establishment. This audit focused on the effectiveness of the operation of controls employed at the establishment. From the 102 controls evaluated in this audit review, 84

were considered to provide adequate control and only 18 contained weaknesses. The following issue was considered to be the key control weakness:

- On occasions cash held in the safe exceeds the safe insurance limit.

This report contained 6 recommendations, all of which were rated as merits attention. All 6 of the control issues raised within this report were accepted and positive action had been taken to address all issues.

Changes to the Internal Audit Plan 2006/7

| Audits Removed from Audit Plan since 1 October 2006 | | |
|-----------------------------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dept | Job Details | Reason |
| Regeneration and Community | Derby City Partnership - Governance | This audit needs to be deferred to the 2007-8 Audit Plan, as resources are currently being utilised on investigations. |
| Children and Young People | Procurement of capital schemes | This audit needs to be deferred to the 2007-8 Audit Plan, as resources are currently being utilised on investigations. |
| Children and Young People | Assessment & Care Management | This audit needs to be deferred to the 2007-8 Audit Plan, as resources are currently being utilised on investigations. |
| Children and Young People | Sunnyhill Infant School | The Headteacher requested that this audit be delayed as the school was forming a federated Governing Body with two other schools in January 2007 and the governance arrangements that we were seeking to audit would not have been determined in time for the audit. |
| Children and Young People | Grampian Primary School | The School Improvement Officer has requested that this audit is postponed until the summer term. This is because both the Headteacher and Deputy Headteacher are on long term sick |
| Resources and Housing | Grants - Corporate Strategy | This audit needs to be deferred to the 2007-8 Audit Plan, as resources are currently being utilised on investigations. |
| Resources and Housing | Concessionary Travel - eligibility | This audit needs to be deferred to the 2007-8 Audit Plan, as resources are currently being utilised on investigations. |
| Resources and Housing | Housing Options Centre | This audit needs to be deferred to the 2007-8 Audit Plan, as resources are currently being utilised on investigations. |
| Resources and Housing | Control of staff establishment | This audit needs to be deferred to the 2007-8 Audit Plan, as resources are currently being utilised on investigations. |
| Resources and Housing | Performance Indicators/LPSA2 | It was only originally envisaged that one audit would undertaken on Performance Indicators/LPSA2, but ten separate audits have been undertaken under this heading. |
| Environmental Services | Housing Repairs & Maintenance | The Corporate Director has requested that this audit be deferred to the 2007-8 Audit Plan, as the contractual and procedural arrangements with Derby Homes, brought about by the new partnership arrangement, have yet to be finalised. |

Changes to the Internal Audit Plan 2006/7 (Continued)

| Audits Introduced into Audit Plan since 1 October 2007 | | |
|--------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dept | Job Details | Reason |
| Regeneration and Community | Investigation – Streetcare Missing Cash | Controls have been examined in response to a request for advice following a minor incident. |
| Regeneration and Community | BV 170 a, b & c Visits to Museums | It was only originally envisaged that one audit would undertaken on Performance Indicators/LPSA2, but six separate audits have been undertaken under this heading. |
| Regeneration and Community | BV 199 a, b & c Street and Environmental Cleanliness | It was only originally envisaged that one audit would undertaken on Performance Indicators/LPSA2, but six separate audits have been undertaken under this heading. |
| Regeneration and Community | BV 223 & BV 224 Condition of Principal & Unclassified Roads | It was only originally envisaged that one audit would undertaken on Performance Indicators/LPSA2, but six separate audits have been undertaken under this heading. |
| Children and Young People | Investigation – Bute Walk Petty Cash | We were requested to examine the petty cash records as it was believed that a significant discrepancy had been highlighted. |
| Resources and Housing | Housing & Council Tax Benefits – Fraud Prevention & Detection | It was only originally envisaged that one Housing Benefit audit would be carried out, but two separate audits have been undertaken on this subject. The other looking at Customer Services' Post Opening procedures. |
| Resources and Housing | Investigation | Investigative work has been undertaken in response to allegations made about a Council officer. |
| Resources and Housing | BV 183a & BV203 B&B & Temp Accommodation, BV213 & LPSA T10 Prevent & Reduce Homelessness | It was only originally envisaged that one audit would undertaken on Performance Indicators/LPSA2, but six separate audits have been undertaken under this heading. |
| Resources and Housing | LPSA2 Target 11 Improving Opportunities | It was only originally envisaged that one audit would undertaken on Performance Indicators/LPSA2, but six separate audits have been undertaken under this heading. |
| Resources and Housing | LPSA 1 Pump Priming Certification | We were required to provide information/certification to confirm that the Pump Priming grant had been used to support eligible expenditure. |
| Environmental Services | BV 218 a & b Abandoned Vehicles | It was only originally envisaged that one audit would undertaken on Performance Indicators/LPSA2, but six separate audits have been undertaken under this heading. |
| Environmental Services | Investigation | Investigative work has been undertaken in response to allegations received. |
| Corporate and Adult Social Services | Investigation - Personal Allocation | We were asked to look at concerns raised with regard to the personal allowance payments that were due and paid to an individual, whilst resident at a private care home, where the Council was the individual's trustee. |

Internal Audit – Feedback from Quality Control Questionnaires Analysed by Department since 2003/04

| Internal Audit - Feedback from Quality Control Questionnaires Analysed by Department since 2006/7 | | | | | | | | |
|---------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------|------------------------------|---------------------------|-----------------------------------------|--------------------|--------------------|
| Ref No. | Scores 5=Very Good, 4=Good, 3=Satisfactory 2=Needs Improvement 1=Unsatisfactory | Regeneration & Community | Children & Young People | Average Score per Department | | | | Overall Average |
| | | | | Resources & Housing | Environmental Services | Corporate & Adult Social Services | External Bodies | |
| Quality Control Questions for Line Managers - Number of Responses Received | | 12 | 33 | 22 | 2 | 6 | 7 | |
| QCQ1 | That sufficient notice was given to arrange the visit? | 4.2 | 4.3 | 4.0 | 4.5 | 4.3 | 4.1 | 4.2 |
| QCQ2 | The level of consultation on the scope and objectives of the audit? | 3.8 | 3.8 | 3.5 | 4.5 | 4.2 | 4.0 | 3.8 |
| QCQ3 | The Auditor's understanding of your systems and operational issues? | 3.8 | 3.9 | 3.4 | 3.5 | 3.3 | 4.1 | 3.7 |
| QCQ4 | The audit was carried out efficiently with minimum disruption? | 4.2 | 4.4 | 4.0 | 4.5 | 4.3 | 4.4 | 4.2 |
| QCQ5 | The level of consultation during the audit? | 4.0 | 4.3 | 3.7 | 4.0 | 4.0 | 4.1 | 4.0 |
| QCQ6 | The audit was carried out professionally and objectively? | 4.2 | 4.5 | 4.1 | 5.0 | 4.3 | 4.7 | 4.4 |
| QCQ7 | The draft report and/or exit interview addressed the key issues and was soundly based? | 4.0 | 4.2 | 3.7 | 4.0 | 3.7 | 3.9 | 4.0 |
| QCQ8 | Your opportunity to comment on the findings made? | 4.3 | 4.5 | 4.4 | 4.5 | 4.5 | 4.3 | 4.4 |
| QCQ9 | The final report in terms of clarity and content? | 4.1 | 4.3 | 4.0 | 4.5 | 4.2 | 4.6 | 4.2 |
| QCQ10 | The prompt issue of the draft report? | 3.8 | 3.2 | 3.5 | 4.5 | 4.3 | 3.6 | 3.5 |
| QCQ11 | The recommendations in the final report will improve control and/or performance? | 3.8 | 4.1 | 3.9 | 4.0 | 3.8 | 4.1 | 4.0 |
| QCQ12 | The audit was constructive and added value overall? | 4.0 | 4.0 | 3.9 | 5.0 | 3.5 | 4.1 | 4.0 |
| TOTAL | | 48.1 | 49.5 | 46.2 | 52.5 | 48.5 | 50.1 | 48.5 |
| Quality Control Questions for Directors - Number of Responses Received | | 16 | 13 | 17 | 3 | 4 | 13 | |
| DR1 | The overall focus and scope of the audit was appropriate, given the topic under review. | 3.8 | 3.8 | 4.0 | 3.7 | 4.5 | 3.9 | 3.9 |
| DR2 | The Findings adequately identify the weaknesses in control or the absence of control and the risks associated with them. | 3.8 | 3.8 | 4.1 | 3.7 | 4.5 | 4.1 | 4.0 |
| DR3 | The Recommendations are appropriate and practical. | 3.9 | 3.5 | 4.0 | 3.7 | 3.8 | 3.5 | 3.7 |
| DR4 | The Ratings given to Recommendations are appropriate. | 3.9 | 3.7 | 3.9 | 3.3 | 3.8 | 3.6 | 3.8 |
| DR5 | I am satisfied that the managers' responses and the stated approach to implementation are appropriate. | 4.1 | 4.0 | 3.6 | 3.7 | 4.0 | 4.4 | 4.0 |
| DR6 | The Executive Summary and Conclusion provide a balanced view of the overall audit findings and the state of control. | 4.0 | 3.8 | 4.0 | 3.7 | 3.0 | 4.3 | 3.9 |
| DR7 | The audit was constructive and added value overall. | 3.9 | 3.8 | 3.9 | 3.3 | 4.5 | 3.8 | 3.9 |
| TOTAL | | 27.3 | 26.3 | 27.5 | 25.0 | 28.0 | 27.7 | 27.2 |

Internal Audit – Feedback from all Quality Control Questionnaires Analysed by Year

| Ref No. | | | Average Score per Year | | | | Overall Average |
|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|--|------------------------|---------|---------|---------|-----------------|
| | Scores | | 2003/04 | 2004/05 | 2005/06 | 2006/07 | |
| | 5=Very Good, 4=Good, 3=Satisfactory 2=Needs Improvement 1=Unsatisfactory | | | | | | |
| Quality Control Questions for Line Managers - Number of Responses Received | | | 22 | 19 | 21 | 20 | |
| QCQ1 | That sufficient notice was given to arrange the visit? | | 4.2 | 4.5 | 4.0 | 4.1 | 4.2 |
| QCQ2 | The level of consultation on the scope and objectives of the audit? | | 3.5 | 4.1 | 4.0 | 3.8 | 3.8 |
| QCQ3 | The Auditor's understanding of your systems and operational issues? | | 3.5 | 4.0 | 3.7 | 3.8 | 3.7 |
| QCQ4 | The audit was carried out efficiently with minimum disruption? | | 4.0 | 4.6 | 4.2 | 4.1 | 4.2 |
| QCQ5 | The level of consultation during the audit? | | 3.8 | 4.1 | 4.0 | 4.3 | 4.0 |
| QCQ6 | The audit was carried out professionally and objectively? | | 4.2 | 4.7 | 4.3 | 4.4 | 4.4 |
| QCQ7 | The draft report and/or exit interview addressed the key issues and was soundly based? | | 3.8 | 4.0 | 3.9 | 4.2 | 4.0 |
| QCQ8 | Your opportunity to comment on the findings made? | | 4.3 | 4.5 | 4.4 | 4.6 | 4.4 |
| QCQ9 | The final report in terms of clarity and content? | | 4.0 | 4.4 | 4.2 | 4.3 | 4.2 |
| QCQ10 | The prompt issue of the draft report? | | 3.7 | 3.5 | 3.5 | 3.4 | 3.5 |
| QCQ11 | The recommendations in the final report will improve control and/or performance? | | 3.5 | 4.0 | 4.1 | 4.2 | 4.0 |
| QCQ12 | The audit was constructive and added value overall? | | 3.8 | 4.1 | 3.9 | 4.2 | 4.0 |
| TOTAL | | | 46.4 | 50.4 | 48.3 | 49.1 | 48.5 |
| Quality Control Questions for Directors - Number of Responses Received | | | 10 | 17 | 27 | 12 | |
| DR1 | The overall focus and scope of the audit was appropriate, given the topic under review. | | 4.0 | 3.7 | 4.0 | 3.8 | 3.9 |
| DR2 | The Findings adequately identify the weaknesses in control or the absence of control and the risks associated with them. | | 4.2 | 3.8 | 4.0 | 3.8 | 4.0 |
| DR3 | The Recommendations are appropriate and practical. | | 3.7 | 3.5 | 3.9 | 3.8 | 3.7 |
| DR4 | The Ratings given to Recommendations are appropriate. | | 3.7 | 3.6 | 3.9 | 3.8 | 3.8 |
| DR5 | I am satisfied that the managers' responses and the stated approach to implementation are appropriate. | | 3.8 | 3.8 | 4.0 | 4.2 | 4.0 |
| DR6 | The Executive Summary and Conclusion provide a balanced view of the overall audit findings and the state of control. | | 3.6 | 4.0 | 4.0 | 4.1 | 3.9 |
| DR7 | The audit was constructive and added value overall. | | 4.0 | 3.6 | 4.0 | 3.8 | 3.9 |
| TOTAL | | | 27.0 | 26.2 | 27.8 | 27.3 | 27.2 |