

External Audit Action Plan – Outstanding Recommendations

External Audit Report		Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Interim Audit Action Plan 2008/09	3	<p>Creditors - Oracle guidance</p> <p>A walkthrough of systems identified that the guidance entitled 'How to use Oracle', which is available to employees on DerbyNet, is out of date. We understand that this document is part of a suite of documents being compiled into a collective Creditors and Payments manual.</p> <p>We recommend that 'How to use Oracle' is updated to reflect current processes and that any amendments are reflected in the Creditors and Payments manual.</p>	Medium	<p>Accepted with regard to team procedure notes.</p> <p>The Accounts Payable manual on Derbynet shows the current procedures to apply. We will be updating the manuals utilising an interactive training system (UPK) in the near future. This will take into account the changes to the Accounts Payable System that we will be implementing over the next few months.</p>	<p>Near completion. Team procedures are complete with the exception of cheque replacement. Target date for completion. 30/9/09.</p> <p>Procedures to be discussed at Team Meetings and subject to 6 monthly reviews.</p> <p>Interactive manuals have been made available on Oracle's help function since July 2009. All new changes and procedures will be put on line as and when produced.</p>	<p>Implemented</p> <p>Procedures complete.</p>	<p>John Massey</p> <p>30 September 2009</p>

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Interim Audit Action Plan 2008/09	<p>5 Creditors - one-off payment authorisation</p> <p>Testing identified that:</p> <ul style="list-style-type: none"> two out of three one off payment requests sampled had not been signed by an authorised signatory; and a consolidated list of authorised signatories is not in place. Authorisation is instead recorded on a large number of individually signed pages in paper file. <p>We recommend that a single record of authorised signatories be created and periodically reviewed. We also recommend that controls are enhanced to ensure that one-off payments are not made without appropriate authority.</p>	High	<p>Accepted.</p> <p>We will engage with departments to assist them with developing their own internal checks, plus working to improve our own checks.</p>	<p>Procedure to be drafted for implementation by the earlier deadline of 30/9/09.</p> <p>Invoice approval hierarchy within Oracle is now in place. This improves controls by the setting and maintaining within the system of approval officers and limits.</p>	<p>Implemented</p> <p>Recommendation completed as far as possible with current Oracle set up and working practice.</p> <p>Procedure is in place for sample checking of one-off payment requests sent to and processed by the central AP team. Sample checking is undertaken monthly & a record of cases checked is maintained.</p>	<p>Rob Williams</p> <p>30 September 2009</p>

Appendix 2

External Audit Report		Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Interim Audit Action Plan 2008/09	7	Council Tax - procedures documentation We noted from discussions that the procedures manual in this area does not reflect current working practice as it is out of date. We recommend that this be updated to reflect current procedures and that an annual review is introduced to ensure this is maintained.	Medium	Accepted with regard to team procedure notes. The procedures manual will be completed and maintained.	Near completion. Deadline for completion 31/10/09	In Progress A revised procedures manual is virtually complete. A few procedures for Direct Debit processing have been delayed slightly because of staff illness. These are now due 11 th December	Noreen Akhtar Revised Deadline : 31 December 2009
Interim Audit Action Plan 2008/09	8	Council Tax - segregation of duties Council Tax officers assist Derby Direct during busy periods. We noted from discussion that this could result in Council Tax officers who action discounts and exemptions on Academy also taking payments on the Derby Direct system. We recommend that formal procedures are introduced to ensure segregation of duties is maintained between establishing the charge and collection/recovery.	High	Partially accepted. Staff need to retain the permissions to be able to process discounts, exemptions and take payments so that we can ensure agility within the service to manage our peaks in demand. We will be undertaking sample checking of payments taken to check on the integrity of transactions received onto customers' accounts.	Team leader have been put in place to check on transactions and on average, 5 out of 20 are checked. Formal procedure notes documenting the processes and checks will be produced. Deadline for completion 31/12/09.	Implemented Team Leader continues to check the average 5 out of 20. Checks are made on all staff who take payments towards Council Tax. Procedure notes compiled and hard copy filed with checks. Electronic copy held for Team Leaders on shared drive.	John Massey 31 December 2009

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Interim Audit Action Plan 2008/09	11 Sundry debtors and income - procedures documentation We noted that the debtor's procedures manual has not been updated for sometime. We recommend that this be brought up to date and that a schedule be established for subsequent period reviews/updates.	Medium	Accepted with regard to team procedure notes. We will compile a procedure manual for the section, including a procedure for write-off reconciliation. The Accounts Receivable manual on Derbynet shows the current procedures to apply. We will be updating the manuals utilising an interactive training system (UPK) in the near future.	Team procedure notes have been updated and in some cases new procedures compiled. Team Manager to put in place a schedule for regular review. Interactive training have been made available on Oracle, since July 2009. All new changes and procedures will be put on line as and when produced.	Implemented No further update required from position stated at September 2009.	Julie Sadler 30 September 2009

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Interim Audit Action Plan 2008/09	<p>14 Sundry debtors and income - debt recovery procedure</p> <p>The Council has a generic debt recovery procedure in place which specifies the type of action required with timescales. From discussion, we noted that for some sections, such as nurseries and markets, this procedure does not reflect current working practices leading to a lack of consistency.</p> <p>We recommend that the Council reviews the appropriateness of these procedures and, where necessary, introduces additional procedures to cover specific areas of debt recovery.</p>	Medium	<p>Accepted.</p> <p>We will be developing action plans for the debt management of each individual department.</p> <p>Debt recovery write-offs and bad debt provision is also on the Accountants Process Improvement group (APIG) agenda for review and implementation of best practice.</p>	<p>Meeting to be held in October 2009 on 12/10/09 regarding the functionality within the Debtors module. Implementing debt action plans is subject to Oracle having the functionality to support different debt profiles.</p> <p>To be considered at the meeting on 22 September 2009</p>	<p>In Progress</p> <p>Proposals for system & reporting developments agreed between operational management and Head of Service. Requirements documented and passed to Oracle Team to review feasibility and advise accordingly.</p>	<p>Rob Williams</p> <p>31 December 2009</p>

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Interim Audit Action Plan 2008/09	<p>16 Fixed assets register - accuracy of schedules</p> <p>Estates document revaluations on an asset spreadsheet which is used to update the Fixed Asset Register. Walkthrough testing of the asset spreadsheet to supporting documents identified one asset value that had been overstated by £70,000 and another that had an inconsistent narrative description.</p> <p>We recommend that the Council reviews procedures in this area and considers introducing additional checks to the integrity of the data captured.</p>	Medium	<p>Estates and Accountancy have worked together and now use a joint spreadsheet to ensure correct valuations and no duplicate entries or missing entries. A member of the team has been checking the accuracy.</p> <p>We are working on the specification and project plan for a new integrated asset management system to be used by Estates Accountancy and Property maintenance.</p> <p>Business Case and project plan to be developed for the introduction of an integrated Asset Management system to include FAR.</p>	<p>Completed:</p> <ol style="list-style-type: none"> 1. Unique reference number on the Register 2. One common file on a shared drive with restricted access 3. Monthly reconciliation to financial and Estates data and sign-off by the Group Accountant(capital) <p>Action in progress - documented procedure on the maintenance of the FAR including responsibilities.</p>	<p>In Progress</p> <ul style="list-style-type: none"> • Agreement between Estates Property and Accountancy to using one existing system as the primary record for the Asset Register until such time as a new system is implemented. • Asset management policies including the disposal policy to be reviewed and managed through the strategic asset management group. To include a set of pro-formas to aid the control and audit trail of the asset register changes. Asset management system maintenance procedures will be developed in line with this. • Documented procedure on the maintenance of the FAR including responsibilities. 	<p>Nicola Goodacre in conjunction with Estates</p> <p>Revised Deadline:</p> <p>30 November 2009.</p> <p>Revised Deadline:</p> <p>31 December 2009.</p>

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Interim Audit Action Plan 2008/09	20 Main Accounting Systems - Oracle procedures Following Oracle implementation, the Council has been updating procedures to reflect the change in processes. The main area that has yet to be completed is in relation to Control Accounts. We recommend that procedures be introduced in relation to control accounts and that a schedule be established for procedures to be regularly reviewed.	Medium	A key objective in our 2009/10 business plan is the review of control accounts and reconciliation procedures. Through APIG we will be developing a best practice guide and deliver training. Oracle procedures will then be updated.	The review is nearly complete and guidance and up to date documented procedures are being drawn up. Once in place this will form part of the Accountants Manual and training package being developed. A Financial Controls Review Group has been set up of key officers within the Resources department to provide internal scrutiny and take forward actions and improvements on an on-going basis.	In Progress A detailed review of control account procedures has been carried out, and resulted in a number of improvements being made. Updated procedure notes are now being prepared.	Chloe Bowes 31 December 2009

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Final Accounts Audit Action Plan 2008/09	<p>1 Fixed Asset Register</p> <p>The current practice of maintaining separate registers will continue to increase the risk of material misstatement and ultimately the Council should strongly consider the introduction of an integrated asset management system.</p> <p>In the meantime, closer working practices should be introduced between the Resources and Estates Departments to ensure that the registers are consistent, in terms of monetary amounts and descriptors. We recommend that formal reconciliations are introduced between the two registers and that a standard asset referencing system is used.</p>	High	<p>Action already taken</p> <ul style="list-style-type: none"> • Introduction of a unique reference number on the FAR • One common file on a shared drive with restricted access • Monthly reconciliation to financial and Estates data and sign-off by the Group Accountant(capital) <p>Action in progress</p> <ul style="list-style-type: none"> • Documented procedure on the maintenance of the FAR including responsibilities. Deadline: 30 October 2009. Group Accountant (Capital) in conjunction with Estates • Business Case and project plan to be developed for the introduction of an integrated Asset Management system to include FAR. This will be progressed through the Transformation programme 	Not Applicable	<p>In Progress</p> <ul style="list-style-type: none"> • Agreement between Estates Property and Accountancy to using one existing system as the primary record for the Asset Register until such time as a new system is implemented. • Asset management policies including the disposal policy to be reviewed and managed through the strategic asset management group. To include a set of pro-formas to aid the control and audit trail of the asset register changes. Asset management system maintenance procedures will be developed in line with this. • Documented procedure on the maintenance of the FAR including responsibilities. 	<p>Nicola Goodacre in conjunction with Estates</p> <p>Revised Deadline: 30 November 2009.</p> <p>Revised Deadline: 31 December 2009.</p>

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Final Accounts Audit Action Plan 2008/09	2 Group Accounting Policies It is recommended that Derby Homes Ltd's accounting policies are fully aligned with those of the Council, or that resulting consolidation adjustments are quantified.	Medium	The Group Accountant (Corporate) will liaise with the Group Accountant at Derby Homes and agree an action plan to be delivered as part of the preparation for the 2009/10 Annual Accounts.	Not Applicable	In Progress Meeting held with Derby Homes Ltd on 25 th November to discuss alignment of accounting policies for IFRS.	Chloe Bowes 31 December 2009
Final Accounts Audit Action Plan 2008/09	3 Bad Debt Provision The Council should review the percentage rates applied each year to calculate bad debt provisions, against current collection patterns, to ensure the percentages remain appropriate. The results of this review will then form a working paper that will support the Council's approach for audit purposes.	Medium	The principle of determining a BDP based upon more accurate information of our Sundry Debt arrears is agreed. However, currently the Oracle system which houses Sundry Debts does not provide this information. The External Payments Manager will work closely with colleagues from the Business Systems team and will liaise with other sites using Oracle to determine how this information can be extracted. If better Management Information can be extracted then this will form the basis for future BDP calculations.	Not Applicable	In Progress Enhanced reporting requirements agreed between operational managers and Head of Service on 12/10/09. Requirements documented and passed to Oracle Team to assess feasibility and advise accordingly.	Rob Williams 31 December 2009

Appendix 2

External Audit Report		Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Final Accounts Audit Action Plan 2008/09	4	Bad Debt Provision The Council should consider undertaking a review of old debt and writing these, and the associated bad debt provision, out of the ledgers.	Low	It is agreed that irrecoverable Sundry Debts should be written-off on a regular basis as part of a robust house-keeping regime. This will require a Debt Strategy to be written which has the approval of Corporate Director of Resources as the Council's Section 151 Officer and Elected Members. Our draft Debt Strategy will be prepared by 31 st October 2009 by our External Payments Manager. Once the Strategy is approved, uncollectible debts will be written-off by 31 December 2009.	Not Applicable	In Progress A finance working group of both accountants and external payments has been set up to review and update the Council's write off policy. Uncollectible debts to be written off in line with policy by 31 March 2010	Rob Williams Revised Deadline : 31 January 2009 Rob Williams Revised Deadline: 31 March 2009

Appendix 2

External Audit Report		Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Final Accounts Audit Action Plan 2008/09	5	Members Allowances It is recommended that the Council record all co-optee allowance payments within a separate code in the ledger.	Low	The Group Accountant (Central Team) will investigate and action the change to financial systems to implement this, if technically feasible.	Not Applicable	The Council only pays Co-optee allowance to the 4 members of the Standards Board. These can be separated out onto a separate ledger code as recommended. The Council does not pay Co-optee allowance to members supporting other panels as these expenses are claimed through the travel and subsistence scheme. Clarification on appropriate treatment of these will be sought from the external auditors.	Mark Nash 31 December 2009

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Final Accounts Audit Action Plan 2008/09	6 Creditors/Accruals Cut Off The Council should provide further training to departments responsible for coding invoices to financial periods to ensure all relevant individuals understand the importance of accounting for these items correctly. In addition, we recommend that a specific step is introduced to the accounts preparation process to consider adjustments required as a result of capital receipts in advance	Medium	Group Accountant (Corporate) to action as part of preparation for the 2009/10 Annual Accounts before 31 March 2010. This was introduced as part of the 2008/9 process but due to the unusually complicated legal arrangements of the issue that arose in the 2008/9 accounts, it was treated wrongly at the year-end. The Group Accountant (Capital) in conjunction with Estates and Legal sections will re-visit and strengthen procedures for 2009/10 accounts closure before 31 March 2010.	Not Applicable	In Progress Detailed closure guidance notes will be prepared during January / February 2010 in advance of the 2009/10 closedown and a closure launch event will be held to ensure all relevant individuals are aware of the correct accounting treatment for accruals. .	Chloe Bowes 31 March 2010 Nicola Goodacre 31 March 2010

Appendix 2

External Audit Report	Observation/Recommendation	Priority	Management Response	Progress Update Reported at September 2009	Progress Update to November 2009	Responsible Officer / Timescale
Final Accounts Audit Action Plan 2008/09	7 Technical Review of the Statement of Accounts The Council should review its internal review procedures and strengthen these to improve the likelihood of errors being detected prior to audit. In particular, we would suggest that the review undertaken by various officers within the Resources Department is formally documented, to increase evidence of the process.	High	The review process will be considered and responsibilities assigned, and built into the 2009/10 Accounts Preparation timetable.	Not Applicable	Implemented A one week review period has been built into the draft Statement of Accounts timetable for 2009/10 in order to allow sufficient time for robust review and challenge.	Chloe Bowes 31 March 2010
Final Accounts Audit Action Plan 2008/09	8 Capitalisation Policy & Non-Enhancing Capital Expenditure Policy We recommend that <ul style="list-style-type: none"> the Council's Capitalisation Policy is reviewed and updated on an annual basis; and a formal policy for capitalising non-enhancing capital expenditure is introduced, which we suggest is incorporated within the Capitalisation Policy. 	Medium	The Group Accountant (Capital) will update the policy by 30 October 2009. It will be reviewed at least annually, or when a major change occurs.	Not Applicable	In Progress A review of current policies has been completed, and these are currently being updated to include non-enhancing capital expenditure.	Nicola Goodacre Revised Deadline : 31 December 2009