



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
4 DECEMBER 2008**

Report of the Head of Audit and
Risk Management

ITEM 8

INTERNAL AUDIT – PROGRESS REPORT 2008/9

RECOMMENDATION

- 1.1 To note the activity and performance of Internal Audit in the period 1 September 2008 to 31 October 2008 and to comment accordingly.
- 1.2 To approve the changes to the 2008/9 audit plan (paragraph 2.8).

SUPPORTING INFORMATION

- 2.1 This report summarises the internal audit work completed in the period from 1 September 2008 to 31 October 2008 and seeks a decision by the Committee to determine the audit reports it wishes to review in more detail at the next meeting.

Summary of internal audit activity – 1 September 2008 to 31 October 2008

- 2.2 Appendix 2 summarises the output of internal audit for the period. During the period 1 September 2008 to 31 October 2008, 15 audits were finalised. This total excludes 2 Financial Management Standard in Schools (FMSiS) external assessments.
- 2.3 Appendix 3 provides details of internal audit's overall opinion on the adequacy of the level of internal control for each of the 15 audit reviews finalised 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 audits finalised between 1 September 2008 and 31 October 2008.

| Department | Good | Satis- factory | Marginal | Unsatis- factory | Unsound | No Opinion | Total |
|----------------------------|----------|-------------------|----------|---------------------|----------|---------------|-----------|
| Regeneration & Community | 1 | 1 | 1 | | | | 3 |
| Children & Young People | 1 | 1 | | | | | 2 |
| Resources | 4 | 2 | 2 | | | | 8 |
| Environmental Services | 1 | | | | | | 1 |
| Corporate & Adult Services | | 1 | | | | | 1 |
| Total | 7 | 5 | 3 | 0 | 0 | 0 | 15 |

Note: This table does not include the external assessment of schools in respect of FMSiS.

- 2.5 As a general policy, all audits leading to a rating of “unsound” or “unsatisfactory” will be brought to the Committee’s specific attention. In the period, there have not been any audits which have rated the overall control in the area/service under review as unsatisfactory or unsound.
- 2.6 Currently the Internal Audit Section has achieved a productivity rate of 74.27%. The target for the year is 73%. During September and October, a total of 315.75 days has been spent on audit reviews within departments. The breakdown by department is shown in Table 2 below:

Table 2: Analysis of Audit time spent by Department in the period from 1 September 2008 to 31 October 2008

| Department | Actual Days |
|------------------------------|---------------|
| Regeneration and Community | 29.00 |
| Children and Young People | 50.25 |
| Resources | 131.25 |
| Environmental Services | 86.50 |
| Corporate and Adult Services | 18.75 |
| Total | 315.75 |

- 2.7 The main areas of internal audit work in the period from 1 September 2008 to 31 October 2008 have been on Investigations, general systems based audits, and on the FMSiS. (See Table 3 below.)

Table 3: Analysis of time spent by key areas of audit work in the period from 1 September 2008 to 31 October 2008

| Audit Area | Actual Days |
|----------------------------------|---------------|
| Advice to Clients | 14.00 |
| Investigations x 8 | 61.50 |
| Governance Audits x 1 | 1.25 |
| Follow-up Work x 6 | 4.75 |
| Certification Work x 2 | 3.50 |
| Performance Indicator Audits x 3 | 5.00 |
| Managed Audits x 9 | 66.75 |
| IT Audits x 9 | 26.50 |
| Contract/Partnership Audits x 4 | 8.00 |
| Systems Audits x 10 | 55.00 |
| Probity Audits x 4 | 37.50 |
| Schools FMSiS x 13 | 32.00 |
| Total | 315.75 |

- 2.7. The audit plan is a flexible document and it is inevitably subject to some changes during the year as a result of emerging issues, investigations and changes in staffing resources.
- 2.8 The level of vacancies within the Internal Audit section has been higher than anticipated. We have also lost resources to unplanned jury service and we have undertaken a significant amount of unplanned non-audit work for other Council services. The contingency of days set aside for investigative work has already been fully allocated. Much of this time has been offset by a significant decrease in sick leave. This situation has necessitated the removal of 1 audit from this year's plan. The planned audit work on Equal Opportunities has been removed as this was a bespoke piece of work that was commissioned by an officer who has recently left the Council.
- 2.9 Feedback from client satisfaction surveys received in 2008/9 rates the services provided by Internal Audit as "good" and as yet do not clearly indicate any problems that require action.

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Background papers:

List of appendices:

Appendix 1 - Implications

Appendix 2 - Internal Audit Output Summary 1 September to 31 October 2008

Appendix 3 - Opinion & Issues/Recommendations Made and Accepted in Jobs Finalised during the period 1 September to 31 October 2008

Appendix 4 - Summary of Audit reports issued between 1 September to 31 October 2008

| |
|---------------------|
| 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 – 2008/9 Audit Reviews

| October | | Regeneration & Community | Children & Young People | Resources | Environmental Services | Corporate & Adult Services | External Bodies | |
|---|--------------|-----------------------------|----------------------------|-----------|---------------------------|-------------------------------|--------------------|------------|
| | % | | | | | | | Total |
| Not Allocated | | 1 | 1 | 4 | | | 4 | 10 |
| Allocated but not yet started | 0%-10% | | 27 | 2 | | | 2 | 31 |
| Started - Fieldwork commenced | 0%-80% | 2 | 6 | 16 | 6 | 4 | 5 | 39 |
| Awaiting Review - Fieldwork complete file submitted for review | 80% | | | | | | 1 | 1 |
| Reviewed but draft report not yet issued | 90% | 1 | 1 | 1 | 1 | | | 4 |
| Draft Report issued but final report not issued | 95% | | 15 | | | 1 | 2 | 18 |
| Final Report issued | 100% | 7 | 24 | 18 | 4 | 4 | 8 | 65 |
| Complete Job finalised but no formal report with recommendations issued | 100% | 7 | 1 | 4 | 3 | 2 | | 17 |
| | Total | 18 | 75 | 45 | 14 | 11 | 22 | 185 |
| Removed from Plan | 0% | | 2 | | | 1 | 1 | 4 |

Opinion & Issues/Recommendations Made and Accepted in Jobs Finalised during the period 1 September 2008 to 31 October 2008

| Job Name | Overall control rating | Issues Raised / Recommendations Made | | | Issues Accepted | | |
|---|------------------------|--------------------------------------|--------------|------------------|-----------------|--------------|------------------|
| | | Funda-mental | Signif-icant | Merits Attention | Funda-mental | Signif-icant | Merits Attention |
| Regeneration & Community | | | | | | | |
| Business Improvement District | Good | 0 | 0 | 6 | 0 | 0 | 6 |
| Streetcare – Follow-up | Satisfactory | 0 | 0 | 3 | 0 | 0 | 3 |
| Parking Enforcement - Income Follow-up | Marginal | 0 | 6 | 5 | 0 | 6 | 5 |
| Children & Young People | | | | | | | |
| Safeguarding Children | Satisfactory | 0 | 2 | 4 | 0 | 2 | 4 |
| Pupil Referral Unit | Good | 0 | 0 | 11 | 0 | 0 | 11 |
| Resources | | | | | | | |
| Teachers Pension Return TR17 2007-08 | Good | 0 | 0 | 0 | 0 | 0 | 0 |
| LPSA 2 Target 12 Smoking Cessation (PCT) Follow-up | Good | 0 | 0 | 2 | 0 | 0 | 2 |
| Group Policy Settings – Windows XP | Satisfactory | 0 | 2 | 2 | 0 | 2 | 2 |
| Oracle Financials – IT Security Settings | Satisfactory | 0 | 4 | 5 | 0 | 4 | 5 |
| Main Accounting System 2007-8 | Good | 0 | 1 | 4 | 0 | 1 | 4 |
| Accounts Payable 2007-8 | Good | 0 | 2 | 2 | 0 | 2 | 2 |
| Payment Card Industry - Data Security Standards (PCI DSS) | Marginal | 0 | 2 | 0 | 0 | 2 | 0 |
| Treasury Management 2007-8 | Marginal | 0 | 4 | 2 | 0 | 4 | 2 |
| Environmental Services | | | | | | | |
| Income - Debtors | Good | 0 | 0 | 9 | 0 | 0 | 9 |
| Corporate & Adult Services | | | | | | | |
| Decent Homes | Satisfactory | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Recommendations Made – Final reports | | 0 | 23 | 55 | 0 | 23 | 55 |

Table does not include the 2 FMSiS external assessments where the primary schools achieved the Standard.

Summary of Audits Finalised during period 1 September 2008 to 31 October 2008 (Excluding Investigations)

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 & Community

Business Improvement District

Overall control rating: Good

This audit focused on the Council's involvement with the Cathedral Quarter Company Limited (CQCL), determining the governance arrangements in place, the Council's involvement in the set up and funding of the Company and the contractual arrangements in place between the two parties.

The main issues were considered to be that:

- The July 2008 monitoring report had not been delivered to the Cathedral Quarter Company. There was insufficient communication between the Council and the BID Company relating to BID Levy collection and the Council were not operating within the terms of the Operating Agreement.
- The method for reporting key data was time consuming to produce and deliver and was not in the most suitable format for the end user.
- The appointed Councillor for the 2008/09 Cathedral Quarter Board membership had traded places with another Councillor. The change had not been formally approved by the Council in line with organisational procedures.
- There had been confusion on the part of the Cathedral Quarter Company Board over the role of the Senior Council Officer who had historically attended the Board meetings in an advisory capacity.
- Councillor attendance at the Cathedral Quarter Company Board meetings had been low in 2007/08 and this had caused concerns for the CQCL and the Head of City Development & Tourism. No other representative of the Council sits on the Board in a decision making capacity. Without Council representation on the Board the interests of the Council may not have been reflected in decisions made by the BID Company.
- A Monitoring Group had not been formed and so performance was not being evaluated and improved.

All of the control issues raised within this report were accepted and positive action was agreed to be taken to address all 6 recommendations by November 2008.

Streetcare – Follow-up

Overall control rating: Satisfactory

In January 2007 we were asked to investigate the circumstances which led to £139.96 cash going missing. We identified during that investigation that the controls surrounding cash collection and the reconciliation of cash and cheques were unsatisfactory and also identified that £168.96 had actually gone missing, but the amount had not been correctly identified, due to the poor controls. We have conducted a follow-up of the issues raised during this investigation.

From the original 9 issues raised, actions have been taken in order to address 4 issues, 2 issues are no longer considered relevant and actions had still not been taken to address the following 3 issues:

- There was no cash handling policy in place and no documented procedures with respect to the issue of keys, cash collection and reconciliations.
- During holiday periods there was no clear segregation of duties between employees taking cash from the public and preparing cash for banking.
- Surprise cash-ups were not being undertaken by the section manager.

All 3 control issues raised were accepted and positive action was agreed to be taken to address these issues by November 2008.

Parking Enforcement - Income Follow-up

Overall control rating: Marginal

This audit focused on the receipt and banking procedures covering income derived from Penalty Charge Notices processed at Saxon House reception. An audit of this subject was originally undertaken in November 2006. Many control weaknesses were identified at that time and these matters were discussed with the Parking Services Manager in an exit meeting. Unfortunately, we were unable to formalise these matters in an Audit report in a timely fashion. Accordingly, a decision was taken to undertake a formal follow-up audit of this area in the 1st quarter of the 2008-9 Audit Plan. This report identified any control weaknesses that were still present when the follow-up audit was undertaken.

The main issues still outstanding were considered to be that:

- Officers with responsibility for collecting cash were also able to cancel Penalty Charge Notices on the Chipside system.
- Controlled stationery was not being appropriately secured. Staff were able to help themselves to receipt books.
- Controlled stationery was not being appropriately recorded and stocks were not being independently checked and reconciled. Records were not being maintained which would show the receipt books held in stock or whom receipt books had been issued to. Receipt books were being used out of sequence.
- Receipts intended to only be used in conjunction with the cash receipting system printer were being used as handwritten receipts. These receipts were not numbered or duplicated so there was no audit trail when the amounts receipted were handwritten.

- Administration Assistants were counting, reconciling and banking their own daily collections without another Council officer checking that the amounts collected per the Cash Receipting System had been banked in full.
- The open counter at Saxon House, where payments for PCNs were being received, did not provide adequate security for staff and the income collected. Cash was kept in an unlocked cash tin in an unlocked drawer in full view of the public.

All of the control issues raised within this report were accepted and positive action was agreed to be taken to address the 11 recommendations by the end of October 2008.

Children & Young People

Safeguarding Children

Overall control rating: Satisfactory

In response to the Climbié Report, the Council had introduced the Derby City Council Safeguarding Policy and Safeguarding Children Corporate Strategy and implementation plan. In light of these findings it was considered appropriate to review and assess the arrangements in place to determine whether the objectives of the DCC Safeguarding Children Corporate Strategy Implementation Plan were being achieved. We acknowledged that the Children and Young People's Department was rated as 3 (Good) by the Joint Area Review (JAR) which also focuses on the services for safeguarding children.

- It was apparent that not all Chief Officers were fully aware of the Council's Safeguarding Children Strategy and implementation plan that was agreed at COG in November 2005.
- There were inadequate arrangements in place to ensure a corporate key officer or working group was assigned to co-ordinate, monitor, evaluate and report the progress made across the Council on the implementation of the Corporate Safeguarding Children Strategy.
- Currently there did not appear to be a formal reporting mechanism in place to update the Chief Officers of the Children and Young People Directorate on the level of progress made across Council departments in achieving the corporate objectives of the Safeguarding Children Strategy.
- The role, responsibilities and specific duties assigned to the departmental Safeguarding Officers were not formally documented or accepted.
- Currently departments across the Council were not working to an agreed timeframe by which to address the action points and meet the objectives of the Corporate Safeguarding Children Strategy Implementation Plan.
- Departments were at different stages in implementing the actions of the Corporate Safeguarding Children Strategy and it was apparent they are seeking guidance on the corporate approach in relation to the services provided by the ISA.

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 in respect of all 6 recommendations was agreed to be completed by the end of July 2009.

Pupil Referral Unit

Overall control rating: Good

The purpose of the audit was to reassure the Unit's management, the LA and the Corporate Director - Resources that the Unit's internal controls were adequate and being operated correctly.

None of the 11 issues raised were considered to present significant risk. 4 related to governance arrangements, 1 related to income reconciliations, 3 related to computer security and the remaining 3 related to the security of assets.

Management have resolved to take positive action regarding all 11 recommendations.

Resources

Teachers Pension Return TR17 2007-08

Overall control rating: Good

The Chief Finance Officer is required to certify that the entries made in Part B of the annual TR17 Teachers' Pensions Return are correctly calculated and paid to Teachers' Pensions. Part B of the return is in respect of teachers whose salary payments are administered other than directly through the LA payroll. Through undertaking a series of tests, Internal Audit provides assurance that the entries on the return accurately reflect the deductions made and remitted. Under the Council's managed audit arrangements, External Audit seek to place reliance on this work.

Our work undertaken on the 2007/08 return identified an error with the TR22 election for one teacher which was duly corrected in this year's contributions. External Audit was able to place total reliance on the work undertaken by Internal Audit.

LPSA 2 Target 12 Smoking Cessation (PCT) Follow-up

Overall control rating: Good

The Audit Commission Key Lines of Enquiry (KLOE) for Data Quality require Councils' 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. LPSA 2 Target 12 'The number of people accessing a smoking cessation service in Derby who are confirmed to have quit at the four week stage and confirm they have remained non-smokers at the 52 week stage' was reviewed during 2006/07 and 4 recommendations were made.

Audit have conducted a follow-up of this audit as we are required to verify systems in place for measuring LPSA 2 performance prior to submission of the grant claim, which is due late 2008. Actions had been taken in order to address all 4 recommendations, but an additional 2 minor weaknesses were identified. The 2 control issues raised were accepted and positive action was agreed to be taken to address both issues.

Group Policy Settings – Windows XP

Overall control rating: Satisfactory

This audit focused on the current management and security configurations of the Council's Active Directory Group Policy Objects (GPOs). A Group Policy Object (GPO) is a collection

of settings that define what a system will look like and how it will behave for a defined group of users.

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

- There appeared to be an excessive amount of employees with local administrator privileges across the Council's domains.
- Users with local administrator accounts were not given a secondary account without administrator privileges for routine day-to-day tasks.
- There was no audit and accountability policy that determined the applicable laws, directives, regulations and standards of which auditable data should be collected from Active Directory. Group Policies were not configured to collect any audit data.
- There was an excessive number of GPOs that were applied across our domains leading to complexities in managing Active Directory.

All of the 4 control issues raised within this report were accepted and positive action has been agreed to address the 2 recommendations that were significant by December 2008, and the 2 recommendations that merited attention by April 2009.

Oracle Financials – IT Security Settings

Overall control rating: Satisfactory

From 1 April 2007 the Council went live on the Oracle Financials system which replaced the General Ledger (GL), Accounts Payable (AP – Creditors) and Accounts Receivable (AR – Debtors) previously under the CODAS system. This audit focused on the security settings for each tier of the application.

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

- The line: *.dispatchers= ' (PROTOCOL=TCP) (SERVICE=sidXDB) ' had not been removed from the init.ora file which exposed ports 2100 and 8080 for XDB purposes. Ultimately exploitation of these issues may provide for remote execution of arbitrary code in the security context of the vulnerable service.
- The AUDIT_TRAIL parameter had not been configured for Database Auditing. Accordingly, there was no data captured to help identify suspect looking connections to the database, or changes to Oracle database accounts.
- The E-Business Suite audit trail had not been enabled. Without auditing tables recording where changes have been made to bank accounts and bank details, supplier details and changes have been made to user accounts, there is an increased risk that fraudulent and inappropriate use may go unnoticed, and any misuse that has already occurred may not be easily accounted for through analysis of historic records.
- The APPS password was known by members of Business Systems team whereas this should only really be used by external administrators unless there is a justified business need to use this account. The APPS password allows users to manipulate data they would not normally be authorised to manipulate, view data that they should not have access to and essentially perform any task they like on the system.

All of the control issues within this report were accepted and positive action was agreed to address 6 of the recommendations by October 2008. The 3 remaining recommendations were agreed to be addressed by March 2009.

Main Accounting Systems 2007-8

Overall control rating: Good

This audit focused on the ensuring that since the introduction of Oracle in April 2007 a number of key aspects of the main accounting system were adequately controlled. These included the maintenance of procedure notes, journal transfers, feeder systems, CODAS balance brought forward and reconciliations.

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

- Procedures had not been fully documented for all changes to the bank reconciliation processes brought about by the implementation of Oracle.
- The bank account could not be reconciled fully to the general ledger due to untimely updates of the general ledger from the feeder systems. The reconciliations had not been subject to independent review.
- The Council could not appropriately evidence that all of the system feeds were being reconciled to the general ledger in a timely manner.
- The Council could not appropriately evidence the independent review of the log of the completed feeder systems postings.
- The Head of Business Systems, Financial Systems Manager and Systems Accountant, Business Systems Team were all sharing the username 'sysadmin' in Oracle for posting feeder systems.

All of the control issues raised within this report were accepted and positive action was agreed to be taken to address 2 recommendations that merit attention and one significant recommendation by October 2008. The remaining 2 recommendations that merit attention were agreed to be addressed by December 2008 and April 2009 respectively.

Accounts Payable (Creditors) 2007-8

Overall control rating: Good

This audit focused on the newly implemented Oracle Accounts Payable system in particular the security of the system, the availability of key functions and the level of internal control in general.

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

- There was no independent review of the payment reports before cheque payments were issued.
- There was no maximum limit on the total value of a BACS transmission that could be processed.
- The Council's Financial Procedure Rules had not been revised to reflect the changes in procedure brought about by the introduction of the Oracle Financials system.
- The Council could not appropriately evidence that the necessary checks had been undertaken which ensure that reconciliations, between the Accounts Payable and the General Ledger modules of Oracle, had been properly conducted in a timely manner.

All of the control issues raised within this report were accepted and positive action was agreed to be taken to address the 4 recommendations by April 2009.

Payment Card Industry - Data Security Standards (PCI DSS)

Overall control rating: Marginal

Derby City Council is classified as a level 4 merchant by the Payment Card Industry (PCI), which means that any systems we are responsible for must adhere to the PCI Data Security Standards (DSS) by the deadline of June 2007. The risks associated with non compliance to the PCI DSS include relinquishing our privilege to process Visa and MasterCard transactions. This audit focused on the Councils current compliance to the PCI DSS.

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

- The Council had not formally identified compliance with the PCI DSS as an essential requirement and accordingly, it has not given any officer the responsibility for ensuring that the Council, as a whole, complied with the Standard. This in turn meant that the Council had not adhered to the deadlines set by the PCI Council regarding compliance.
- The Council had no mechanism for ensuring continued compliance with the PCI DSS.

Both of the control issues raised within this report have been accepted and positive action has been agreed to be taken to address the 2 recommendations by December 2008.

Treasury Management 2007-8

Overall control rating: Marginal

This audit focused on the operations and activities of the Treasury Management function, including policies and procedures, systems, payments and reconciliations. Consideration was also given to additional controls put in place in light of the Northern Rock crisis and to the use of the internal transfer function within Financial Director.

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

- Key treasury management records, containing data used to inform daily investments, were not being reconciled on a daily basis to ensure accuracy.
- The reconciliations between the committed investment spreadsheet and investment register, undertaken by the Technical and Treasury Accountant, were not being performed by other members of the team when she was absent.
- The majority of the 2007-8 investment and borrowing reconciliations had not been performed. The implementation of the Oracle system had created problems with the data required to perform the reconciliations.
- On screen authorisation was not available in Financial Director for transfers to other Council bank accounts. For PSR transfers, authorisation for transferring monies between the Council's bank accounts was being obtained after the transfer had taken place.
- Reconciliations between the investment register and the committed investment spreadsheet were not being reviewed and signed off independently from the person undertaking them. There was also an inadequate audit trail in place to demonstrate who had performed key tasks.
- Investments were being approved by authorised Assistant Directors or the Corporate Director - Resources after they had been agreed with brokers.

All of the control issues raised within this report have been accepted and positive action has already been taken to address the 2 recommendations that merit attention and 3 of the significant recommendations. The 1 remaining significant recommendation will be addressed by April 2009. The issue cannot be resolved quickly as it potentially requires action from another Section.

Environmental Services

Income - Debtors

Overall control rating: Good

This audit focused on the process across the Environmental Services Department that ensure that income due is collected, accurately recorded and banked promptly and intact.

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

- Controlled stationery was not being adequately secured, and movement of stocks of receipt pads across the Department was not being recorded.
- Independent checks were not being undertaken to verify that all income receipted and recorded actually reconciled to the income banked.
- Cash boxes did not show the name of the authority or any reference to a car park and they were not numbered.
- The sequence of the audit tickets produced by the machine every time a cash box is removed was not being checked to identify and investigate any gaps.
- Cash boxes from the car park ticket machines had no labelling or security marking identifying them as Derby City Council property.
- At busy periods, the car park ticket machine cash boxes may hold in excess of £1000 when emptied on the normal rota.
- We found that the main safe insurance limit was being exceeded especially during busy periods.

All issues raised as a result of this audit were accepted and positive action was agreed to address all control weaknesses.

Corporate & Adult Services

Decent Homes

Overall control rating: Satisfactory

In response to an anonymous letter sent to the Council and the Council's External Auditors, Internal Audit sought to identify evidence that the Council had taken appropriate actions in relation to accusations that the Council was receiving poor value for money from the Decent Homes work undertaken by Spirita Housing Association and their contractors Kier Sheffield LLP.

The Internal Audit review concluded in a letter to the Council's External Auditors that:

- The Council had set in motion an intervention process that should ensure that the programme was brought back into line and that the issues identified were being addressed.

- The Council had taken various steps to ensure that the problem was brought under control and that remedial action was taken where needed to complete jobs satisfactorily.
- An action plan to address the problems had been created and actioned. This involved the appointment of new project management company. Inspection records had been improved to allow contractor claims to be challenged. Payments were being withheld until contractor claims could be verified. Regular meetings were being held with the contractor to ensure the completion of works and customer questionnaires were now being scrutinised.
- A proper tendering process had been followed by Spirita in appointing the Contractor for use on other work. The Council set up a Framework Agreement with Spirita, enabling it to “Piggy back” on this contract and this approach was validated with the legal team at the time.
- Inspections had shown that payments had only been made in respect of work which had been carried out, but it would appear that the contractor was creating and undertaking unauthorised variations and then claiming for the costs. These were now being subject to challenge.

The External Auditors were satisfied that no further action needed to be taken by them in respect of this matter, following further confirmation that the Council had not been exposed to any loss.