



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS  
COMMITTEE  
25 OCTOBER 2006**

# ITEM 6

Report of the Head of Audit and  
Risk Management

## **INTERNAL AUDIT PROGRESS REPORT – HALF YEAR POSITION**

### **RECOMMENDATION**

- 1.1 To note the activity and performance of Internal Audit in the period 1 June 2006 to 30 September 2006 and to comment accordingly.
- 1.2 To determine which if any audit report should be subject to a follow up report to the December 2006 Audit and Accounts Committee meeting.
- 1.3 To approve the changes to the 2006/7 audit plan as detailed in Appendix 4.

### **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 June 2006 to 30 September 2006 and seeks a decision by the Committee to determine the audit reports it wishes to review in more detail at the meeting in December 2006. It also reflects on the half yearly position in respect of audit performance. The progress made in the period 1 April 2006 to 31 May 2006 was reported to this Committee on 29 June 2006.

#### **Summary of internal audit activity – 1 June 2006 to 30 September 2006**

- 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 31 May 2006) is shown to reflect the starting point for the period. During the period 1 June 2006 to 30 September 2006, 35 audits were finalised. The total for the 6 months is 55.
- 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. The Head of Audit and Risk Management will also brief members further on the main issues relating to each completed audit.

Table 1: Overall Audit Opinion in Final Reports issued in the period 1 June 2006 to 30 September 2006, by Department.

Department	Good	Satisfactory	Marginal	Unsatisfactory	Unsound	No Opinion	Total
Regeneration & Community						1	1
Children & Young People	6	6	2			3	17
Resources & Housing		1				6	7
Environmental Services			1			2	3
Corporate & Adult Social Services						2	2
Total	6	7	3	0	0	14	30

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 no audit reviews have been rated in either category.
- 2.5 In the case of “unsound” or “unsatisfactory” school audits 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 2 details changes to the audit plan and the reasons why. The current situation is that since 31 May 2006, 27 new jobs have been added to the plan, while 21 jobs have been removed from the plan.
- 2.7 Unplanned staffing vacancies have left us unable to follow the protocol for following up the implementation of accepted audit recommendations. We intend to issue follow up questionnaires in the next few weeks and report on the results in a progress report to the December meeting.

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**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 June 2006 to  
30 September 2006  
Appendix 4 - Changes to the Internal Audit Plan 2006/7

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

1. None directly arising.

**Legal**

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

**Personnel**

3. None directly arising.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities for change**

5. 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.

## Appendix 2

### Internal Audit Output Summary – 2006/7 Audit Reviews

AUDIT OUTPUT									
Actual to 31 May 2006									
	No. of Jobs	Not Allocated	Allocated	Started	Awaiting Review	Reviewed	Draft Report	Final Report	Total
<b><u>Current Year Reviews</u></b>									
Regeneration & Community	7	5	1		1				7
Children & Young People	42	25	10	5	1		1		42
Resources & Housing	27	20	1	6					27
Environmental Services	8	4	2	1				1	8
Corporate & Adult Social Services	11	5		5				1	11
External Bodies	14	13		1					14
<b>CURRENT YEAR TOTAL</b>	<b>109</b>	<b>72</b>	<b>14</b>	<b>18</b>	<b>2</b>		<b>1</b>	<b>2</b>	<b>109</b>
<b><u>B/Fwd Work</u></b>									
Regeneration & Community	6				1		1	4	6
Children & Young People	18				8	3	4	3	18
Resources & Housing	10			1	2	1		5	9
Environmental Services	2					1		1	2
Corporate & Adult Social Services	2					1		2	3
External Bodies	8			1	1		3	3	8
<b>B/FWD TOTAL</b>	<b>46</b>			<b>2</b>	<b>12</b>	<b>6</b>	<b>8</b>	<b>18</b>	<b>46</b>
<b><u>Combined Figures</u></b>									
Regeneration & Community	13	5	1		2		1	4	13
Children & Young People	60	25	10	5	9	3	5	3	60
Resources & Housing	37	20	1	7	2	1		5	36
Environmental Services	10	4	2	1		1		2	10
Corporate & Adult Social Services	13	5		5		1		3	14
External Bodies	22	13		2	1		3	3	22
<b>COMBINED TOTAL</b>	<b>155</b>	<b>72</b>	<b>14</b>	<b>20</b>	<b>14</b>	<b>6</b>	<b>9</b>	<b>20</b>	<b>155</b>

AUDIT OUTPUT									
Actual to 30 September 2006									
	No. of Jobs	Not Allocated	Allocated	Started	Awaiting Review	Reviewed	Draft Report	Final Report	Total
<b><u>Current Year Reviews</u></b>									
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
<b>CURRENT YEAR TOTAL</b>	<b>117</b>	<b>50</b>	<b>8</b>	<b>23</b>	<b>12</b>	<b>3</b>	<b>4</b>	<b>17</b>	<b>117</b>
<b><u>B/Fwd Work</u></b>									
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>B/FWD TOTAL</b>	<b>46</b>				<b>1</b>		<b>7</b>	<b>38</b>	<b>46</b>
<b><u>Combined Figures</u></b>									
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
<b>COMBINED TOTAL</b>	<b>163</b>	<b>50</b>	<b>8</b>	<b>23</b>	<b>13</b>	<b>3</b>	<b>11</b>	<b>55</b>	<b>163</b>

## Internal Audit Output

## Opinion and Issues/Recommendations Made and/or Accepted in Audits Finalised during the period 1 June 2006 to 30 September 2006

Job Name	Overall control rating	Issues Raised / Recommendations Made			Issues Accepted		
		Funda-mental	Signif-icant	Merits Attention	Funda-mental	Signif-icant	Merits Attention
<b>Regeneration and Community</b>							
TownNet Final Claim	N/A	0	0	0	0	0	0
<b>Children and Young People</b>							
Bemrose Community School	Good	0	0	12	0	0	12
Littleover Community School	Satisfactory	0	3	15	0	3	15
Sinfin Community School	Satisfactory	0	3	19	0	3	19
St. Benedict Catholic School and Performing Arts College	Good	0	2	8	0	2	8
Chellaston Foundation School and Technology College	Satisfactory	0	4	11	0	4	11
Noel Baker Community School and Language College	Good	0	3	12	0	3	12
West Park Community School	Satisfactory	0	5	14	0	5	14
Woodlands Community School	Satisfactory	0	4	20	0	4	20
Derby Moor Community Sports College	Satisfactory	0	3	17	0	3	17
Reigate Primary School	Good	0	1	13	0	1	13
Arboretum Primary School	Marginal	0	3	28	0	3	28
Brackensdale Infant School	Good	0	1	21	0	1	21
Investigation – Cavendish Close Junior School	Marginal	0	4	4	0	4	4
Adoption and Fostering Payments	Good	0	1	8	0	1	8
Training on FMSiS provided to Clerks to Governors	N/A	0	0	0	0	0	0
Training on FMSiS provided to School Administrators	N/A	0	0	0	0	0	0
Training on FMSiS provided to School Governors	N/A	0	0	0	0	0	0
<b>Resources and Housing</b>							
Cashiers: Collections and Deposits	Satisfactory	0	3	6	0	3	6
LPSA 1 PRG Claim 2002-03 to 2004-05 Certification	N/A	0	0	0	0	0	0
LAA – Audit Certification 2005-6	N/A	0	0	0	0	0	0
Investigation – Payroll: Missing Cash	N/A	0	0	0	0	0	0
TR17 Teachers Pensions Return 2005-6	N/A	0	0	0	0	0	0
IT Procurements	N/A	0	0	0	0	0	0
<b>Environmental Services</b>							
Moorways Sports Centre: Security	Marginal	0	3	13	0	3	13
Investigation – Crematorium	N/A	0	0	0	0	0	0
Investigation – Inappropriate Images on Network	N/A	0	0	0	0	0	0
<b>Corporate and Adult Social Services</b>							
HR/Payroll	N/A	0	0	4	0	0	4
Employment Agency Contract (Comensura)	N/A	0	2	1	0	2	1
<b>Total Recommendations Made – Final reports</b>		<b>0</b>	<b>45</b>	<b>226</b>	<b>0</b>	<b>45</b>	<b>226</b>

This Appendix does not include the 5 audits finalised in respect of Internal Audit's external contracts.

## Changes to the Internal Audit Plan 2006/7

Audits Removed from Audit Plan since 31 May 2006		
Dept	Job Details	Reason
All Departments	4 x Control of staff establishment	Originally planned as 5 separate audits, one in each department. Our approach has been revised whereby one audit will be undertaken in the Resources and Housing department and based on the findings of that audit, advice will also be provided to all departments.
All Departments	4 x Scheme of Delegation	Originally planned as 5 separate audits, one in each department. Our approach has been revised whereby one audit will be undertaken in the Resources and Housing department and based on the findings of that audit, advice will also be provided to all departments.
Regeneration and Community	Contract Audit: Mickleover Library Tendering Process	Removed to provide resources to undertake audit on Contracts: RTI - Chellaston.
Children and Young People's	7 x Primary School Audits	Owing to a complete revision of the Schools Audit Programme, coupled with the need for extra supervision for inexperienced staff, we have taken more time than originally planned to complete each school audit. This has resulted in a need to reduce the number of schools audits planned from 30 to 23.
Children and Young People's	Children's Establishment	Originally planned to undertake 2 separate establishment visits, but used all planned time on 1 establishment audit.
Resources and Housing	e-Procurement	Unplanned vacancies in the IT Audit team has resulted in a reduction in days available to undertake specialist IT audits.
Resources and Housing	Firewall Configuration	Unplanned vacancies in the IT Audit team has resulted in a reduction in days available to undertake specialist IT audits.
Resources and Housing	Remote Working	Unplanned vacancies in the IT Audit team has resulted in a reduction in days available to undertake specialist IT audits.
Corporate and Adult Social Services	Adult Establishments	Originally planned to undertake 2 separate establishment visits, but used all planned time on 1 establishment audit.

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

Audits Introduced into Audit Plan since 31 May 2006		
Dept	Job Details	Reason
Regeneration and Community Children and Young People's	Contracts: RTI - Chellaston  13 x Secondary Schools: FMSiS Assessment	This audit has been added at the request of the Audit & Accounts Committee.  All secondary schools are required to meet the FMSiS by March 2007. It has been decided that each school will receive a formal assessment by Internal Audit to confirm compliance with the Standard.
Children and Young People's	Investigation - Cavendish Close Junior School	To investigate allegations that this school had breached the Council's Rules in relation to Capital Building Works. It appeared that work had been undertaken prior to consent being given to the funding.
Children and Young People's	Investigation - Hardwick Primary School	To investigate allegations that this school may have breached the Council's Rules by already placing an order for ICT equipment which they wished to fund using Devolved Capital.
Children and Young People's	School Governors Training	Briefings on new Financial Management Standard in Schools and how Internal Audit will deal with it in its Schools Audit Programme.
Resources and Housing	TR17 Teachers Pension Return 2006-7 Preparation	As the return submission date has been brought forward, we are undertaking preparatory work throughout 2006-7, which will enable us to notify of any required amendments we identify before the return is submitted.
Resources and Housing	Employment Status for Tax and NICs	To ensure that the systems and procedures operated throughout the Council, which identify when payments to the self employed should be processed through the Council's Payroll, are robust and are strictly adhered to.
Resources and Housing	LAA - Systems Work	To ensure that the submission from external partners to the Statement complies with the terms and conditions of the LAA.
Resources and Housing	Anti Fraud & Corruption Policy / Confidential Reporting Code / Risk Management Strategy / Anti-Money Laundering Policy	Originally planned as 1 body of work on the Governance of the policies managed by the Head of Audit & Risk Management. These have now been broken down into 4 separate jobs.
Resources and Housing	Investigation - Payroll Missing Cash	To ensure that the control and security processes relating to the handling and storage of cash by Payroll staff is sufficient to ensure that cash cannot continue to go missing without detection.
Environmental Services	Crematorium - Organists - Alleged Corruption	To investigate allegations that underhanded activities had been taking place with respect to the allocation of work for the organists at Markeaton Crematorium.
Environmental Services	Investigation - Inappropriate Images on Network	To establish the nature of the images found and provide advice to the Line Manager on any further investigations considered appropriate and how such investigations should be conducted.
Corporate and Adult Social Services	Equal Opportunities	To check compliance with the legislation and statutory codes of practice and to ensure that appropriate policies and procedures are properly communicated and adequately monitored and to ensure that appropriate steps have been taken to raise the awareness of equalities issues amongst staff.