

Summary of Audits Finalised during the period 1 June 2007 to 31 August 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.

CHILDREN AND YOUNG PEOPLE

The following school audits were undertaken as part of the 2006/07 cycle of school audits. These audits were to undertaken prior to the revision of Audit's approach to the DfES Financial Management Standard in Schools (FMSiS). As each of these schools also received an FMSiS visit from Audit in this period, it was decided that the control weaknesses found at each school would be discussed as part of the visit and incorporated into each schools' action plan in preparation for their FMSiS external assessments. As such formal reports were not issued for follow-up.

Ivy House Special School

Overall control rating: Good

The main issues were considered to be that:

- The school had not established terms of reference for the full Governing Body and had not defined financial limits in their Financial Regulations and Procedures document.
- Delegated financial limits had not been determined for other types of financial transaction, for example, delegated limits for authorising inventory disposals.

It has been agreed that the school will receive its FMSiS external assessment in June 2008.

Lakeside Community Primary School

Overall control rating: Satisfactory

The main issues were considered to be that:

- The school had not established terms of reference for the Governing Body.
- The school did not have a formal, comprehensive scheme of delegation in place.

It has been agreed that the school will receive its FMSiS external assessment in November 2007.

Peartree Community Junior School

Overall control rating: Satisfactory

The main issues were considered to be that:

- The school had not established terms of reference for the Governing Body.
- The school did not have a formal, comprehensive scheme of delegation in place.

It has been agreed that the school will receive its FMSiS external assessment in January 2008.

Student Awards

Overall control rating: Good

An audit of the Student Awards function was undertaken in 2005/06 and a number of minor control issues were raised with line management at the time of the audit. As it was subsequently determined that this service will no longer be a Council function from April 2008 onwards, we verbally agreed with line management that control improvements would be implemented, but a formal report containing recommendations would not be appropriate.

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

- There was a lack of assurance that childcare grants were made to registered childcare providers and that attendance and fees were independently confirmed.
- There was no check made to the original documents, so there was no assurance that applications were genuine or that the data had been entered correctly.
- There was no specific fraud response plan in place to enable officers to raise any suspected irregularities or concerns.

RESOURCES

Debtors – Credit Notes

Overall control rating: Satisfactory

We examined samples of credit notes which had been generated and approved by sections that do not use the central debtors function in the Resources Department to process their credit notes. Credit notes from the Assembly Rooms, Estates and Children & Young People were scrutinised. We focused on the controls which ensure that:

- Only bona fide credit notes are actioned, correctly calculated and supported by appropriately authorised documentation.
- Debtor accounts are appropriately updated to record all credit notes processed.
- There is adequate security regarding computer access.

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

- The CODAS system was unable to enforce a segregation of duties which ensured that the person who raised the original invoice was unable to raise a credit note against that invoice.
- Regular independent checks were not being performed which confirmed that only approved credit notes had been input to the debtors system.

Three separate memoranda were issued containing 10 recommendations in total. All 10 issues were accepted and positive action was agreed to be taken to address all issues. Positive action was to be taken to improve 3 controls at the Assembly Rooms by the end

of June 2007, with another control issue to be addressed in September 2007. Positive action was to be taken to improve 4 controls in Children & Young People by June 2007. Actions to improve the 2 control issues in Estates were agreed to be taken by the end of April 2007.

Housing & Council Tax Benefit – Fraud Prevention & Detection

Overall control rating: Good

This audit focused on ensuring that the procedures that support the Verification Framework in relation to fraud prevention and detection had not been adversely affected by the recent introduction of the Academy system.

The main issues were considered to be that:

- Anti-fraud refresher training was not being offered to Housing Benefit staff after their initial induction training, and staff from the Council Tax section had not received any anti-fraud training.
- The advertising of benefit fraud reporting methods could have been more prominent within Council buildings and on the Council's website.
- Not all benefit staff were aware of where to locate relevant anti-fraud policy documents and procedure manual and benefit regulations for reference purposes.
- A process was not in place for ensuring that benefits staff regularly declare any interests where conflicts may exist.
- Fraud Investigators were not required to sign to acknowledge they have received and understood the Code of Conduct for Investigators.
- Benefits staff were not receiving regular feedback from the Benefits Investigation Unit with regard to their activities, successes and new types of fraud encountered.

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 to be taken to improve 3 controls in July 2007. Actions to improve the 3 remaining control issues were agreed to be taken by the end of October 2007.

LAA – Audit Certification 2006/07

Overall control rating: N/A

The purpose of this audit was to obtain reasonable assurance that the Statement of Grant Usage (SOGU), in all material respects, fairly presents the eligible expenditure in the period 1 April 2006 to 31 March 2007 in accordance with the Grant Determination. The Corporate Director - Resources must receive this assurance from the Head of Audit & Risk Management before he certifies the SOGU.

Internal Audit examined the entries in the claim and the related records and carried out such tests as necessary to ensure that the entries in the SOGU were fairly stated. The financial management, accountability and partner organisations were also assessed.

The claim was found to be overstated by £19,091 as expenditure within the Children & Young People block had been overstated. The claim was amended to reflect this. A number of issues were noted and have been referred to the Corporate Director - Resources for resolution. The findings from this work will be incorporated into current Audit work in the development of the Council's Partnership Governance Framework.

We concluded that reasonable assurance could be given to the Corporate Director - Resources in respect of the amended SOGU.

LAA – Systems Work

Overall control rating: Satisfactory

In conjunction with the work required to certify the Statement of Grant Usage for 2006-07, we also looked at the control systems in operation within the Accountable Body and partner organisations.

The audit focused on the submission to the SOGU by Connexions. Connexions received £2.3m of LAA funding in 2006-07. The financial records and statements provided to the LAA were assessed to ensure that their submission complies with the terms and conditions of the LAA. A number of minor issues were resolved at the time of the audit. Derbyshire County Council also placed reliance on our audit coverage of Connexions, when certifying their SOGU for their own LAA.

TR17 Teachers Pensions Return 2006-7

Overall control rating: N/A

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 2006/07 return identified a number of errors which were duly corrected and a revised return was submitted. External Audit was able to place total reliance on the work undertaken by Internal Audit.

ENVIRONMENTAL SERVICES

BV 199 a, b & c Street and Environmental Cleanliness

Overall control rating: Good

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, identified BV 199 a "local street and environmental cleanliness – litter and detritus", BV 199 b "local street and environmental cleanliness – graffiti" and BV 199 c "fly-posting visible from relevant land and highways" as high risk indicators.

The issues were that:

- A single officer was preparing and checking the performance figures, which does not provide for an independent check on the accuracy of the figures calculated.
- Cumulative figures posted to Performance Eye were not to the correct number of decimal places.

- The BVPI Survey forms were not comprehensively completed for each transect surveyed.
- There was no evidence that the data entered onto the performance spreadsheet was being reviewed.
- The performance spreadsheet was not password protected.

All 5 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 5 recommendations was to be completed by the end of August 2007.

Catering Supplies Contract

Overall control rating: Satisfactory

In 2006 we undertook an audit looking at the contracting arrangements for catering supplies. As the Catering Services Manager was unavailable to comment on the control weaknesses identified, we did not issue a formal audit report on this work, but instead provided the interim Director of Environmental Services with a list the findings for comment.

The issues were that:

- Catering Services did not have access to contract documentation for those contracts arranged by Derbyshire County Council.
- There was no formal agreement in place between the City Council and the County Council for the procurement of catering supplies.
- There were no metrics for measuring the success of the arrangement with the County Council, which would clearly demonstrate whether value for money was being achieved.
- There was no proactive system in place for assessing customer satisfaction with existing suppliers.
- Catering Services were no longer benchmarking individual product prices with the local market and other similar sized authorities.
- Catering Services were not monitoring the total amounts spent with each supplier to determine the overall value of the contract for future tendering purposes.
- The list of officers authorised to sign orders and approve invoices for payments had not been formally incorporated into Environmental Services' Scheme of Delegation as required by Contracts Procedures Rules and Colin Dill had been given "No Limit" on the value of orders and invoices he could sign.
- Detailed procedural guidance notes, to supplement Contract Procedure Rules, had not been developed to prescribe how catering suppliers should be engaged.
- Environmental Services was not maintaining a register of all contracts over £20K entered into, as required by Contracts Procedures Rules.
- Contract Files were not being maintained for each contract entered into over £5K, as required by Contracts Procedures Rules.
- The reasons why significant decisions had been taken had not been documented. These should have been formally recorded in the Contract File and may have required a waiver from the Contracts Procedures Rules. Also a contract extension had not been undertaken strictly in accordance with Contracts Procedures Rules.

All issues raised were accepted and management resolved to take positive action to address all the control weaknesses identified.

Environmental Services – Creditors

Overall control rating: Good

In 2006 we undertook some work on the ordering and invoice payments systems operated at both Stores Road Depot and London Road Depot. Unfortunately, other priorities delayed the issue of the audit report on this matter and most of the findings were superseded with the introduction of the Oracle system. Accordingly, we did not issue a formal audit report on this work, but instead provided the interim Director of Environmental Services with a list of our findings for comment.

The issues were that:

- Procedural guidance notes only covered part of the creditors' process at Stores Road and were none existent at London Road.
- High value orders were being reviewed and approved by Finance staff at Stores Road, but not at London Road.
- Testing highlighted 3 invoices where official orders had not been completed, when they clearly should have been.
- Prices were not always being recorded on orders, the incidence of this was far worse at London Road.
- Officers were authorising payments that exceeded their delegated authority.
- Not all invoices were being date stamped on receipt.
- Records of tools issued to workmen were not being maintained.
- Tools were being stored overnight in Council vehicles parked in the Depots.

All issues raised were accepted and where Oracle had not already resolved the weakness, management resolved to take positive action to address the remaining control weaknesses identified.

Environmental Services – Payment of Utility Bills

Overall control rating: Good

In 2006 we were requested to look at the control of utility charges for all the various sites by the former Corporate Director of Environmental Services. Due to other work taking priority and with the Corporate Director's departure, it was felt that the significance of this work may have changed. Accordingly, we did not issue a formal audit report on this work, but instead provided the interim Director of Environmental Services with a list of our findings for comment.

The issues were that:

- Environmental Services did not have a record of all the sites under its control, 139 different sites were identified which should have been receiving utilities, but there could have been more.
- Stores Road was maintaining records of bills received and paid, this was to prevent the payment of duplicate invoices and for year-end accruals, but energy consumption for each site was not being monitored centrally.

- Water bills could not be matched to individual sites and therefore reconciliations could not be undertaken to identify any incorrect charges.
- Meters were not being read by staff on site, to compare to bills and consumption was not being monitored on site, therefore it was unlikely that any overcharging or water leaks would be identified.
- As no other information was available, the Council's corporate Performance Indicators on energy consumption and carbon emissions were being calculated from information derived from bills paid, rather than actual meter readings.

All issues raised were accepted and management resolved to take positive action to address all the control weaknesses identified.

Environmental Services – Investigation

Overall control rating: N/A

Following a number of allegations made against Officers in Environmental Services, we were asked by the Chief Executive to provide full assistance to the Investigating Officer to establish whether evidence existed which corroborated or contradicted the allegations made. The audit work to provide information to the Investigating Officer was concluded during this period.

As a result of the findings of the investigation, the Corporate Director of Environmental Services agreed to tender his resignation, which was accepted by the Council. The terms of the agreement to accept the resignation were covered by a legal agreement that precludes further comment by either side. Another 4 officers were also subjected to disciplinary action, which resulted in a verbal warning, a first written warning, a final written warning and a dismissal. The officer dismissed has appealed against the decision.

Individual audit assignments have been scoped in the 2007/08 audit plan, to cover in greater detail the control weaknesses identified during this investigation.

CORPORATE AND ADULT SERVICES

LPSA2 Target 11 Improving Opportunities

Overall control rating: Marginal

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, identified LPSA2 Target 11 Indicator 1 "The number of jobless Derby residents with financial barriers to work, gaining sustained employment with the help of Derby City Council" and LPSA2 Target 11 Indicator 2 "The number of Derby residents under notice of redundancy, and with financial barriers to work, gaining sustained employment with the help of Derby City Council" as high risk indicators.

The main issues were considered to be that:

- Figures had been incorrectly posted to Performance Eye and insufficient supporting evidence had been retained.

- The interpretation of the definition by Derby Advice could be challenged as no specific actions were being taken to help the person gain sustained employment.
- Derby Advice could not provide evidence that 5 out of 6 Derby residents were jobless when first attending or that any of the 6 had subsequently gained sustained employment.
- Standard pre-defined reports had not been set up on the Derby Advice database to ensure that only valid data was extracted when producing performance information and invalid data had been manually extracted for 5 of the 6 cases reported.

All 10 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 3 recommendations was to be completed by the end of August 2007. Action on a further 2 recommendations was to be introduced into Quarter 2 Returns. Action could not be taken on the remaining 5 control issues until a response had been received on acceptable evidence requirements from the Department for Communities and Local Government (DCLG). It was anticipated that a response would be forthcoming by the end of September 2007.

Since finalising this report, the Derby Advice Manager now no longer accepts 2 of the issues raised. Audit is currently working with the Planning and Performance Unit to find a mutually acceptable solution.

Members Allowances

Overall control rating: Good

This audit focused on the controls which ensure that only bona fide and correct payments, that had been appropriately scrutinised and authorised, were being made to members and any personal information and data was being protected from unauthorised access, loss or damage.

The main issues arising from the audit work were:

- Members Claims for Expenses Forms were authorised by officers who were also involved with the processing of these claims.
- Member's personal information was not being kept in a secure location providing restricted access.
- There were no checks that members were adhering to the Scheme requirement for car insurance.

All 3 issues raised were accepted and management resolved to take positive action to address all the control weaknesses identified.

Contract Procedure Rules

Overall control rating: Marginal

This audit focused on reviewing the current Contracts Procedures Rules with a view to identifying current gaps in their content, establishing a system for review and maintenance. Audit has recently been co-opted into the Review Group currently revising and updating the Council's Contracts Procedures Rules.

The main issues arising from the audit work were:

- No significant review of Contracts Procedures Rules had been undertaken since 1998.

- There was no control mechanism which ensured that Contracts Procedures Rules were current and relevant.
- The process for ensuring that all relevant officers were fully aware of the obligations placed upon them by Contracts Procedures Rules was inadequate.
- A corporate approach to monitoring adherence to Contracts Procedures Rules and dealing with breaches had not been developed.
- Not all departments were maintaining fundamental records as required by Contracts Procedures Rules (e.g. Contracts Registers and Contract Files).

Rather than produce a formal report with recommendations, the findings from this work will be fed into the Review Group.

REGENERATION AND COMMUNITY

BV 223, BV 224 a & b Condition of Principal & Unclassified Roads

Overall control rating: Good

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, identified BV 223 "Condition of Principal Roads", BV 224 a "Condition of Non-Principal Classified Roads" and BV 224 b "Condition of Unclassified Roads" as high risk indicators.

The main issues were considered to be that:

- A single officer was currently preparing and checking the performance figures, which did not provide for an independent check on the accuracy of the figures calculated.
- Figures posted to Performance Eye were not to the correct number of decimal places.

Both of the control issues raised within this report were accepted and positive action was agreed to be taken to address both issues in August 2007 and October 2007 respectively.

BV 170 a, b & c Visits to Museums

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, identified BV 170 a "Visits to and Use of Museums and Galleries: all visits", BV 170 b "Visits to and Use of Museums and Galleries: visits in person" and BV 170 c "Visits to and Use of Museums and Galleries: school groups" as high risk indicators.

The main issues were considered to be that:

- Data was not consistently recorded and the audit trail was extremely convoluted.

- Errors were identified on source documents and data entered onto the performance spreadsheet was not reviewed.

All 8 of 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 a further 3 were due to be implemented with immediate effect. Action on the remaining 2 recommendations was to be implemented by the end of August 2007.

RTI – Chellaston

Overall control rating: Satisfactory

This audit focused on evidence of actual controls in operation for the management of the project and reviewed the project plan in terms of targets set and ascertained what mitigations have been put in place and how effective they are. In addition, the audit determined what steps had been taken to pursue redress. The objective was to compile lessons to be learnt from this project that could be used to produce a best practice guide for other projects.

The following issues were considered to be the lessons to be learnt:

- The length of the consultation period for residents to raise any concerns they may have needed to be addressed, especially where it covered the summer holiday period.
- There was a need to monitor closely the key milestones of the scheme.
- An appropriate performance management structure was required to be in place that focuses on contract delivery
- When individual schemes were part of major maintenance schemes, they must be continuously monitored and assessed as to their priority including the impact subsequent delays may have on the completion of other schemes.
- There needed to be a detailed plan of each stage of the scheme prepared following consultation with all parties concerned to establish and consider the implications of successfully completing each stage of the scheme in a timely manner.
- The Contracts Manager needed to closely monitor the achievement of targets and where these were not being met, he needed to meet with all parties concerned to plan remedial action.

All 7 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues with immediate effect.

Derby and Derbyshire Economic Partnership (DDEP) 2004/05 & 2005/06

Overall control rating: Satisfactory

Derby City Partnership (DCP) through the External Funding Unit (EFU) received match funding from DDEP under the Local Area Agreement (LAA) to support the Economic Development and Enterprise block for the financial years 2004/05 to 2006/07. The total funding expected over the lifetime of the project is £900,000. Funding is granted to support both capital and revenue expenditures for Derby City's Economic Development projects. This aligned funding expired in March 2007 however monitoring and reporting of performance outcomes continue until September 2007. Derby City Partnership is required

to submit quarterly project grant claims and project monitoring forms to DDEP and/or EMDA. This audit focused on the:

- Examination and assessment of the financial records held, the grant claims and performance monitoring statements submitted by DCP to DDEP and EMDA for the LAA to ensure that the Single Programme Agreement for Grants (SPAG) terms and conditions of the LAA agreement had been complied with.
- Examination of processes for collecting the performance data to ensure that performance targets had been accurately reported upon.

The main issues were considered to be that:

- Derby City Partnership should maintain comprehensive asset registers that clearly describe the assets, ownership of the assets, dates of acquisition and disposal, DDEP/EMDA contribution towards the cost of the assets and match funding.
- Clear definitions and guidance relating to the capitalisation of costs should be offered to projects.
- The Management of the Arboretum Community Café project did not provide a clear breakdown of costs incurred on the project for the 'Heart of the Park Building works' to the External Funding Unit. Future projects should be advised of appropriate report requirements.
- Signed copies of the grant claims are to be retained on file.
- DDEP cost centres should be regularly reviewed to ensure that all project costs and incomes are recorded correctly to the relevant cost centres so that project costs are reported correctly.

All the recommendations were accepted and positive action was agreed to be taken before we audit the final claim.

Having examined the entries in the expenditure claims made in the financial years 2004/05 to 2005/06 and having obtained explanations and evidence as was felt necessary, the Head of Audit & Risk Management was satisfied that the entries were fairly stated and certified the funding for the period 1st April 2004 to 31st March 2007.

Revised Information

Table 1: Overall Audit Opinion in Final Reports issued in the period 1 June 2007 to 31 August 2007, by Department.

Department	Good	Satisfactory	Marginal	Unsatisfactory	Unsound	No Opinion	Total
Regeneration & Community	1	3					4
Children & Young People	2	2					4
Resources	1	2				2	5
Environmental Services	3	1				1	5
Corporate & Adult Social Services	1		2				3
Total	8	8	2			3	21

Internal Audit Output

Opinion and Issues/Recommendations Made and/or Accepted in Audits Finalised during the period 1 June 2007 to 31 August 2007

Job Name	Overall control rating	Issues Raised / Recommendations Made			Issues Accepted		
		Funda-mental	Signif-icant	Merits Attention	Funda-mental	Signif-icant	Merits Attention
Children and Young People							
Ivy House Special School 2006/07	Good	0	2	13	0	2	13
Lakeside Community Primary School	Satisfactory	0	2	18	0	2	18
Pear Tree Community Junior School	Satisfactory	0	2	15	0	2	15
Student Awards 2005/06	Good	0	0	8	0	0	8
Resources							
Debtors – Credit Notes	Satisfactory	0	5	5	0	5	5
H&CTB – Fraud Prevention & Detection	Good	0	0	6	0	0	6
LAA – Systems Work	Satisfactory	0	0	0	0	0	0
LAA – Audit Certification 2006/07	N/A	0	0	0	0	0	0
Teachers Pension Return TR17 2006/07	N/A	0	0	0	0	0	0
Environmental Services							
BV 199 a, b & c Street and Environmental Cleanliness	Good	0	0	5	0	0	5
Catering Supplies Contract	Satisfactory	0	4	7	0	4	7
Environmental Services – Creditors	Good	0	1	7	0	1	7
Environmental Services – Payment of Utility Bills	Good	0	1	4	0	1	4
Environmental Services – Investigation	N/A	0	0	0	0	0	0
Corporate and Adult Services							
LPSA2 Target 11 Improving Opportunities	Marginal	0	4	6	0	4	6
Members Allowances	Good	0	0	3	0	0	3
Contract Procedure Rules	Marginal	0	0	0	0	0	0
Regeneration & Community							
BV 223, BV 224 a & b Condition of Principal & Unclassified Roads	Good	0	0	2	0	0	2
BV 170 a, b & c Visits to Museums	Satisfactory	0	2	6	0	2	6
RTI – Chellaston	Satisfactory	0	4	3	0	4	3
Derby and Derbyshire Economic Partnership 2004/05 & 2005/06	Satisfactory	0	1	4	0	1	4
Total Recommendations Made – Final reports		0	28	112	0	28	112

This Appendix does not include the 2 audits finalised in respect of Internal Audit's external contracts or the FMSiS visits to primary schools.