



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
26 JUNE 2008**

ITEM 13

Report of the Head of Audit and
Risk Management

INTERNAL AUDIT – YEAR-END PROGRESS REPORT 2007/8

RECOMMENDATION

- 1.1 To note the activity and performance of Internal Audit in the second half year of 2007/8 and to comment accordingly.
- 1.2 To note the changes to the 2007/8 audit plan as detailed in Appendix 4.

SUPPORTING INFORMATION

- 2.1 The Internal Audit Plan for 2007/8 was reported to this Committee at its meeting on 28 June 2007. Performance of the Audit Section from 1 April to 31 May 2007, 1 June to 31 August 2007 and 1 September 2007 to 30 September 2007 was reported at the June, September and November meetings.
- 2.2 This report provides members with a summary of the audit activity that came to conclusion during the period 1 October 2007 and 31 March 2008. Certain information pertaining to audit investigation work carried out is likely to reveal the identity of individuals and/or could relate to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. Accordingly, a separate report has been produced that summarises audit activity on investigations that were concluded during the same period.
- 2.3 Appendix 2 summarises the non-investigative output of internal audit for the second half year. During the period 1 October 2007 to 31 March 2008, 32 audits were finalised. This total includes 4 audits for external bodies. In addition, 42 initial visits were made to primary schools as part of the work on the Financial Management Standard in Schools (FMSiS). A further 33 schools received a draft external FMSiS assessment, and of those 12 schools had achieved the Standard as at 31 March 2008. Appendix 3 provides members with a summary of the main issues arising from the non-investigative audits completed between 1 October 2007 and 31 March 2008.
- 2.3 Table 1 following provides an analysis by department of audit opinion on the system of control for all finalised non-investigative audits.

Table 1: Overall Audit Opinion in audits finalised between 1 October 2007 and 31 March 2008.

| Department | Good | Satisfactory | Marginal | Unsatisfactory | Unsound | No Opinion | Total |
|----------------------------|-----------|--------------|----------|----------------|----------|------------|-----------|
| Regeneration & Community | 2 | | | | | | 2 |
| Children & Young People | 4 | | | | | 2 | 6 |
| Resources | 3 | 2 | | | | 2 | 7 |
| Environmental Services | | | | | | | |
| Corporate & Adult Services | 1 | | 1 | | | | 2 |
| Total | 10 | 3 | 6 | 2 | 1 | 6 | 17 |

Note: No opinion includes when the audit had no internal control implications. This table does not include any audits undertaken on behalf of external bodies or the external assessment of schools in respect of FMSiS.

- 2.4 Based on the work carried out during the period 1 October 2007 to 31 March 2008, the Head of Audit and Risk Management has reached the opinion that there is an acceptable level of internal control within the Council's systems and procedures. No system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give absolute assurance.
- 2.5 By the end of the year, the Internal Audit Section has achieved a productivity rate of 70.60%. The target for the year is 70%. During the second half of the year, a total of 894 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 October 2007 to 31 March 2008

| Department | Actual Days |
|------------------------------|---------------|
| Regeneration and Community | 117.75 |
| Children and Young People | 249.25 |
| Resources | 350.00 |
| Environmental Services | 125.25 |
| Corporate and Adult Services | 51.75 |
| Total | 894.00 |

- 2.6 The main areas of internal audit work in the half year period have been on Investigations, Managed Audit work (i.e. work on the Council's major financial systems on which the External Auditors can place reliance) and on the Financial Management Standard in Schools (FMSiS). (See Table 3 below.)

Table 3: Time spent on key areas of audit work in the period from 1 October 2007 to 31 March 2008

| Audit Area | Actual Days |
|----------------------------------|--------------------|
| Advice to Clients | 24.50 |
| Investigations x 19 | 260.25 |
| Follow-up Work | 7.75 |
| Certification Work x 4 | 13.75 |
| Performance Indicator Audits x 9 | 21.25 |
| Managed Audits x 10 | 150.75 |
| IT Audits x 7 | 60.75 |
| Contract/Partnership Audits x 5 | 45.25 |
| Systems Audits x 9 | 48.00 |
| Probity Audits x 3 | 76.00 |
| Schools FMSiS x 82 | 172.50 |
| Total | 894.00 |

- 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. Appendix 4 details changes to the audit plan and the reasons why. The year-end situation was that since changes to the plan was approved in the Half Year Progress Report, 9 new jobs have been added to the plan, while 2 jobs have been removed from the plan.
- 2.8 The level of vacancies within the Internal Audit section was higher than anticipated. In order to deliver the key areas of the plan the Head of Audit and Risk Management bought-in 114 days of additional audit capacity.

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Background papers:

List of appendices:

- Appendix 1 - Implications
- Appendix 2 - Internal Audit Output Summary 1 October to 31 March 2008
- Appendix 3 - Opinion & Issues/Recommendations Made and Accepted in Jobs Finalised during the period 1 October 2007 to 31 March 2008
- Appendix 4 - Summary of Audit reports issued between 1 October 2007 to 31 March 2008
- Appendix 5 - Changes to the Internal Audit Plan 2007/8

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| IMPLICATIONS |
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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.

Internal Audit Output Summary – 2007/8 Audit Reviews

| March | % | Regeneration & Community | Children & Young People | Resources | Environmental Services | Corporate & Adult Services | External Bodies | Total |
|--|--------------|---|--|------------------|-----------------------------------|---|----------------------------|--------------|
| Not Allocated | | | | | | | | |
| Allocated but not yet started | 0%-10% | | | | | | | |
| Started - Fieldwork commenced | 0%-80% | 4 | 4 | 7 | 2 | 4 | | 21 |
| Awaiting Review - Fieldwork complete file submitted for review | 80% | 1 | 2 | 7 | 1 | | 8 | 19 |
| Reviewed but draft report not yet issued | 90% | 1 | | 3 | | | 2 | 6 |
| Draft Report issued but final report not issued | 95% | 1 | 22 | 2 | 2 | | | 27 |
| Final Report issued | 100% | 4 | 25 | 9 | 4 | 5 | 10 | 57 |
| Complete Job finalised but no formal report with recommendations issued | 100% | 2 | 62 | 8 | 5 | 4 | 2 | 83 |
| | Total | 13 | 115 | 36 | 14 | 13 | 22 | 213 |
| Removed from Plan | 0% | | 4 | 4 | 3 | 2 | | 13 |

Opinion & Issues/Recommendations Made and Accepted in Jobs Finalised during the period 1 October 2007 to 31 March 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 | | | | | | | |
| Blagreaves LA21 Forum - Final Audit | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| DDEP - Final Year Audit | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Children & Young People | | | | | | | |
| Allenton Community Primary 2006-07 | Good | 0 | 2 | 8 | 0 | 2 | 8 |
| Bute Walk - Establishment Visit | Marginal | 0 | 4 | 17 | 0 | 4 | 17 |
| Early Years | Good | 0 | 2 | 4 | 0 | 2 | 4 |
| FMSiS Secondary School Assessments 2007/08 | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Developing FMSiS Methodology 2007-8 | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| St Clares Special School 2006/07 | Good | 0 | 1 | 15 | 0 | 1 | 15 |
| St Martins Special School 2006/07 | Good | 0 | 2 | 16 | 0 | 2 | 16 |
| Resources | | | | | | | |
| Cashiers 2007-8 | Good | 0 | 0 | 2 | 0 | 0 | 2 |
| Council Tax 2007-8 - Refunds & Recovery | Good | 0 | 1 | 2 | 0 | 1 | 2 |
| NNDR 2007-8 - Recovery & Enforcement | Good | 0 | 2 | 2 | 0 | 2 | 2 |
| Internal Data Matching and Continuous Auditing | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Derwent Community Team - Project Control | Satisfactory | 0 | 3 | 11 | 0 | 3 | 11 |
| Oracle Financials - Systems Work | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| NFI Matches 2006 | N/A | 0 | 0 | 0 | 0 | 0 | 0 |
| Corporate and Adult Services | | | | | | | |
| Property Services Fixed Asset Register | Marginal | 0 | 0 | 0 | 0 | 0 | 0 |
| Supporting People - Sources of Evidence | Good | 0 | 0 | 1 | 0 | 0 | 1 |
| Total Recommendations Made – Final reports | | 0 | 17 | 78 | 0 | 17 | 78 |

Table does not include 11 investigation audits, the 4 audits finalised in respect of Internal Audit's external contracts, the 42 FMSiS visits to primary schools or the 12 FMSiS external assessments where the primary schools achieved the Standard.

Summary of Audits Finalised during period 1 October 2007 to 31 March 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

Blagreaves LA21 Forum - Final Audit

Overall control rating: Good

We were asked to undertake a final audit of this community group's accounts. They had recently wound up and donated the residue of money in their bank book to the Council's environmental festival, Eco-Fest. The community group had set up by the Council about 10 years ago and given a 'community chest' of a few thousand pounds to spend on environmental community projects.

We agreed the closing position of the group's accounts and examined the evidence which demonstrated that the residual funds were appropriately transferred to the City Council.

Derby and Derbyshire Economic Partnership (DDEP) – Final Year Audit

Overall control rating: Good

This audit focused on following up of prior year issues, a review of total expenditure in 2006/07 (matched to funding) and a review of a quarterly claim for the Small Change Project (one of the DDEP projects).

The Head of Audit & Risk Management was able to certify the grant submission having taken into consideration the following:

- A detailed asset register was still not being maintained by the External Funding Unit, even though the issue was raised during the previous audit. They were, however, able to provide all necessary details of the assets and the prime supporting documents.
- The reconciliation of funding for 2006-07 to the financial ledger had been performed by an officer independent of the External Funding Unit.
- The relevant Funding Agreement had not been signed until August 2006, yet the project had been in existence from 2005-06.
- The quarterly monitoring return and claim had been checked by the Monitoring Officer and reliance has been placed on their work.

Children & Young People

Early Years

Overall control rating: Good

This audit focused on several different types of funding made available to the Council, who this was available for and how this was being controlled by the Early Years section

The main issues were considered to be that:

- There was no evidence present on the files maintained by Early Years of checks carried out by the settings prior to building works commencing. There was therefore, no evidence validating the pedigree of the builders, whether the correct materials had been used or whether OFSTED had passed fit the works undertaken.
- The creation of childcare places funding agreement for Rydale Children's Centre had been signed by the Centre's Director, but has not been dated. More significantly the agreement on file had not been signed or dated by the Council.

All 6 of the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action was already being taken in respect of 2 recommendations and actions on the remaining 4 were agreed to be taken by April 2008.

Bute Walk Establishment Visit

Overall control rating: Marginal

This audit focused on the controls employed over the financial procedures operated at the Centre

The main issues were considered to be that:

- The Administration Clerk was completing the order after the invoice had been received.
- Blank purchase orders which had been signed by the Centre Manager had no supplier details or values but are retained in the pad for subsequent use.
- Quotes were not being obtained for expenditure over £1,000.
- Authorisation levels for purchase orders were being exceeded.

All 21 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 13 recommendations. Action on the remaining 8 recommendations was to be implemented by the end of October 2007

FMSiS Secondary School Assessments 2007-8

Overall control rating: N/A

Many of the audit recommendations made to the secondary schools in anticipation of their FMSiS assessments had not been acted upon by the time of their assessment. Accordingly, as at 31 March 2007 only 5 of the 13 secondary schools assessed met the Standard. This audit assignment was undertaken to monitor and assess the additional evidence these remaining 8 schools needed to submit in order to meet the Standard.

Only Lees Brook Community Sports College has still not complied with the Standard; the remaining 7 of the 8 schools had achieved the Standard by September 2007.

Due to the length of time since Lees Brook's external assessment, were now unable to rely upon any evidence previously submitted and will have perform another external assessment. We were unable to rearrange another external assessment for Lees Brook in 2007-8 and have set aside time in the 2008-9 Audit Plan to re-assess this school.

Developing FMSiS Methodology 2007-8

Overall control rating: N/A

Having undertaken the external assessments for Secondary schools in March 2007, Audit felt that its approach should be changed to provide schools with more proactive assistance to ensure that they were better equipped to meet the Standard when the external assessments were undertaken.

We gained approval from the Corporate Director – Resources and Children & Young People's services to make the following improvements to our service:

- Produced and now maintain an FMSiS Guidance Manual and Portfolio of Evidence guide which was distributed to schools during our introductory visits and was posted on our newly developed FMSiS website.
- Arranged and delivered presentations / training sessions / workshops to the various existing school staff / governor groups to further promoting the Audit service provided and to get the commitment from key players within schools to achieving the Standard.
- Arranged and delivered information, guidance and feedback on FMSiS via the Schools Circular.
- Provided schools with a clear means of communicating with Audit on the subject of FMSiS by providing a specifically dedicated email account for all queries and correspondence.
- Determined a schedule of external assessments for Audit to undertake over the next 3 years, with a view to maximising the pass rate.

Allenton Community Primary School

Overall control rating: Good

The purpose of this school audit was to reassure the school's management, the LA and the Corporate Director - Resources that the school's internal controls were adequate and being operated correctly. It also reviewed the extent of compliance with internal controls relevant to the achievement of the Financial Management Standard in Schools, which was also the subject of further assessment by March 2008.

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

- The school had not established terms of reference for the full Governing Body and all its Committees.
- The school did not have in place a comprehensive scheme of delegation clearly defining financial limits of authority and signatory levels. The school's delegated financial limits were restricted to those for placing orders and approving items for disposal and virements.

Of the 108 controls examined, 60 relate to the Financial Management Standard. Of these, 51 were found to be adequate. This report contained 10 recommendations, 2 were considered significant, 8 merited attention, and none were considered to be fundamental. Of the 10 recommendations made, 9 related to the Financial Management Standard. Management

agreed to take positive actions to address all of the control weaknesses identified, with proposed implementation dates all prior to April 2008.

St. Clares Special School

Overall control rating: Good

The purpose of this school audit was to reassure the school's management, the LA and the Corporate Director - Resources that the school's internal controls were adequate and being operated correctly. It also reviewed the extent of compliance with internal controls relevant to the achievement of the Financial Management Standard in Schools, which was also the subject of further assessment by March 2008.

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

- The school's delegated financial limits were restricted to those for placing orders and approving invoices. Delegated financial limits had not been determined for other types of financial transaction, for example, delegated limits for authorising virements and inventory disposals.

Of the 114 controls examined, 61 related to the Financial Management Standard. Of these, 44 were found to be adequate. This report contained 16 recommendations, 1 was considered significant, 15 merited attention and none were considered to be fundamental. Of the 16 recommendations made, 13 related to the Financial Management Standard. Management agreed to take positive actions to address all of the control weaknesses identified, with proposed implementation dates all prior to January 2009.

St Martins Special School

Overall control rating: Good

The purpose of this school audit was to reassure the school's management, the LA and the Corporate Director - Resources that the school's internal controls were adequate and being operated correctly. It also reviewed the extent of compliance with internal controls relevant to the achievement of the Financial Management Standard in Schools, which was also the subject of further assessment by March 2008.

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

- The school had not annually reviewed terms of reference for the full Governing Body.
- The school did not have in place a comprehensive scheme of delegation clearly defining financial limits of authority and signatory levels. The school's delegated financial limits were restricted to selecting and approving tenders and exercising virements.

Of the 102 controls examined, 61 related to the Financial Management Standard. Of these, 41 were found to be adequate. This report contained 18 recommendations, 2 were considered significant, 16 merited attention, and none were considered to be fundamental. Of the 18 recommendations made, 14 related to the Financial Management Standard. Management agreed to take positive actions to address all of the control weaknesses identified, with proposed implementation dates all prior to July 2008.

Resources

Cashiers 2007-8

Overall control rating: Good

This audit focused on the receipting of Council income from customers and the processes involved in securing this income in the Council's bank account.

The main issues were considered to be that:

- Although it was acknowledged that there had been the recent introduction of a new system for issuing receipts to employees responsible for collecting Council income, no guidance had been issued to support this and it was seen that these forms had been completed inappropriately.
- The internal post box was being opened by one member of staff only, increasing the possibility for thefts to be made from the post box and allegations of misconduct by members of staff.

Both the control issues raised within this report were accepted and positive action was agreed to be taken to address both issues by mid-March 2008.

Council Tax – Refunds & Recovery

Overall control rating: Good

This audit focused on the processes and procedures in place relating to refunds and recovery of council tax and also considered any monies paid at Court.

The main issues were considered to be that:

- Following the granting of a liability order there was limited action being taken to recover debt. In particular committals were not being undertaken.
- There were limited or lapsing controls operating regarding recovery action post liability order stage. As committals had not been considered for 18 months there was a backlog of potential cases that could be presented at court. Staff involved with this stage of recovery had not been adequately informed or trained regarding the use of Academy to facilitate the committals process.
- In relation to agreements that run beyond the current financial year, the documented authorisation from senior staff was insufficient.

All 3 the control issues raised within this report were accepted and positive action was agreed to be taken to address all issues. Positive action had already being taken in respect of 1 recommendation and actions on the remaining 2 was agreed to be taken by 1 March 2008.

NNDR – Recovery & Enforcement

Overall control rating: Good

This audit focused on all aspects of the debt recovery policy and enforcements – including the use of summons, liability order, and committal orders.

The main issues were considered to be that:

- Evidence of authorisation of write off could not be found for all cases reviewed.
- Accounts in arrears were not taken forward to the committal stage and therefore a significant tool to enforce recovery of non-domestic rates was not being utilised.

- A copy of the complaints list that had been signed by the Magistrates could not be found for all accounts where enforcement action was carried out.
- Claims were not being made for all accounts in arrears where the business was in liquidation.

All 4 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 being taken in respect of 3 recommendations and action on the remaining 1 was agreed to be taken by the end of June 2008.

Oracle Financials – Systems Work

Overall control rating: N/A

Audit provided advice on specific issues within the Oracle Financials system. A number of processes were still under development and we were not able to form an opinion on these. Certain processes discussed were only temporary solutions and a more detailed evaluation of these procedures may still be required in the future.

We provided advice to management on the following issues:

- In-house cheque production and the operational security of printing cheques.
- Producing purchase orders from Oracle.
- Scanning of invoices into Oracle.
- Setting up of one-off suppliers in schools.
- Control over the issuing of remittance advices.
- School payments and charging for internal services.
- The temporary approval process for when purchase orders have not been raised for invoices.

Derwent Community Team – Project Control

Overall control rating: Satisfactory

There had been a number of high profile Derwent Community Team (DCT) project failures and concerns had been raised regarding the administration and management of New Deal for Communities (NDC) funds. In particular, the effectiveness of the project appraisal process had been questioned and whether the appraisal process contributed to the failure of these projects. The appraisal process that was applied to the Derwentio Ancient Village Project was assessed to establish if any control weaknesses existed.

The following issues were considered to be the key control weaknesses at the time when the Derwentio project was considered, that still resided within the project appraisal system:

- There was no detailed discussion of community involvement.
- The appraisal panel were unable to produce a robust and objective appraisal that was appropriate to the level of funding and degree of risk involved. The make up of the panel appeared to conflict with that approved by the Shadow Management Board in August 2001.
- The Accountable Body failed to ensure that the DCT had adequate systems in operation to appraise and approve projects.

All 14 of the control issues within the report were accepted and positive action was agreed to be taken to address all issues. The Director of Derwent Community Team had already taken positive action in respect of 1 recommendation and had agreed to take action by May 2008 to

address the other recommendations directed to her. This included a full governance review of procedures including the application and appraisal process, review of the monitoring framework, evaluation procedures and the DCT Board's constitution, and, the introduction of a risk register, asset register and disposal policy.

The Accountable Body also agreed to take positive action in response to their recommendation and agreed to confirm arrangements were in place to ensure full compliance with the Accountable Body agreement by mid April 2008.

We determined that the overall level of control was unsound at the time of the Derwentio Project appraisal, which meant that the risks identified within this audit, at that time, were major and fundamental improvements would have been required. However, many of the weakness stemmed from the use of an appraisal process that had been superseded by the introduction and implementation of the Project Toolkit in 2006. The Toolkit provided a rigorous process through which projects could be comprehensively assessed. If used properly, this should ensure that only viable projects proceed. We decided that the proper use of this tool or other NDC recommended appraisal tools would improve the overall level of control to satisfactory, which meant that the residual risks identified within this audit were minimal but changes were required.

Internal Data Matching & Continuous Auditing

Overall control rating: N/A

This work was undertaken to submit a proposal to the Corporate Director – Resources to develop a pro-active approach to identifying, and where possible preventing, fraud and corruption.

Audit proposed a technique to highlight potential cases of fraud and error and test management controls. By fully utilising the data held within the Council's information systems, we aimed to:

- Provide an effective internal control and a means of helping to prevent or identify fraudulent or corrupt activities.
- Develop an internal tool to help identify errors, inconsistencies, irregularities and risk to financial resources.
- Aid the audit planning process and other audit projects.
- Identify weaknesses in the design and operation of internal controls systems to facilitate the improvement of the control environment and reduce risk.
- Provide assurances that internal control systems are operating effectively and preventing error or fraud.
- Improve the Council's score against the key lines of enquiry for use of resources 2008 assessments from the Audit Commission which states "The council undertakes proactive counter fraud and corruption work which is determined by a formal risk assessment."

Agreement was obtained to:

- Identify the relevant systems, or modules within systems that will be the basis on which to perform meaningful and purposeful Data Matching / Continuous Auditing.
- Produce and map a list of data fields required in order to complete the exercise.
- Script and document all data analysis tests and matches to automate the process.
- Determine the available and required security, storage and removal arrangements.
- Agree and detail the data retention procedures in line with data protection legislation, information and records management, and any additional local security standards.

- Identify and justify legal powers to perform our exercises. Produce grounds for the process through Risk Analysis. Justify and document our proposals and key drivers.
- Identify the resources required to develop, maintain and manage the process. Make considerations on resources for investigating any findings.
- Benchmark with other authorities Data Matching proposals, strategies and policies.
- Develop the success criteria associated with the Data Matching / Continuous Auditing process.

The next stage of this development work has been incorporated into the 2008-9 Audit Plan.

NFI Matches 2006

Overall control rating: N/A

Every two years the Audit Commission conducts an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. All public authorities are included within this exercise, the aim of which is to ensure that public money is spent economically, efficiently and effectively, to achieve high-quality local services for the public.

We investigated 14 data matching reports, 13 of which were considered high quality matches with 1 considered medium quality. Over 16,000 individual data matches were investigated. Fortunately no actual frauds have been detected through this exercise.

The main issues were considered to be that:

- Incorrect data was flagged on the HR system.
- Duplicate suppliers were identified on the Financial Management System.
- The need for further data cleansing was identified for certain fields within the Financial Management System.
- Incorrect VAT registration numbers were flagged on the Financial Management System.

Action has been taken to address all of these issues and additional controls have been implemented to avert future similar matches.

Corporate & Adult Services

Property Services Fixed Asset Register

Overall control rating: Marginal

The objective of this audit was to ensure that the Property Register completely and accurately reflected the property owned by the Council. A number of control weaknesses were identified at the time of the audit and these matters were discussed with the Asset 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 obtain action responses to the control issues via email. Consideration will be given to formally following up these issues in 2009-10 when the new property management system is implemented.

The main issues were considered to be that:

- Property asset information was recorded on a number of different spreadsheets by Property Services and Property Maintenance and properties could be identified by different means on the different spreadsheets. This had led to disparities in the information held and confusion with the identification of properties.

- There were no documented procedures relating to the completion and use of the Property Asset Register.
- Supporting evidence could not be made available for two out of six property acquisitions, sales and disposals sampled.
- The Property Asset Register was not being promptly updated with acquisitions, transfers and sales as they take place. Updates were only being entered during re-valuations at year end.
- Plant and equipment specific to properties listed on the register were not separately listed in the register.
- The de minimis limit of £10,000 with respect to the assets listed in the register had not been reviewed in recent years and may not have been suitable.
- Not all the property information had been entered into the Evolution system, reporting modules had not been tried and tested and further development may have been required to ensure that reports were comprehensive.
- Independent checks had not being conducted between the Property Asset Register and other departmental records.
- Manual copies of the Property Asset Register and the valuation reports were not securely held.

All 9 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 being taken in respect of 2 recommendations and actions on the remaining 7 has been agreed to be taken by the end of June 2009.

Supporting People – Sources of Evidence

Overall control rating: Good

This audit focused on the reviewing the adequacy of supporting evidence to prove eligibility for Supporting People (SP) payments. The points arising from the review were:

- There was a concern that the SP team was not directly involved in the Fairer Charging financial assessments.
- Derby Homes was not complying with the processes and checks of other external providers. We were assured that the SP team was committed to resolving the issues with Derby Homes to ensure that they were subjected to the same stringent checks afforded to other service providers.
- The draft overpayment protocol did not include the authorisation and recording of overpayment decisions.

The control issues raised were accepted, and where actions were required they were put into immediate effect.

Changes to the Internal Audit Plan 2007/8

| Audits Removed from Audit Plan | | |
|--------------------------------|--|--|
| Dept | Job Details | Reason |
| Children & Young People | Integrated Disabled Childrens' Service - Partnership Agreement | The increase in time required to undertake investigations, has meant that time is no longer available in this plan year to undertake this audit. This audit will be considered for inclusion in the 2008-9 Audit plan. |
| Resources | Resources - Fixed Asset Register | The increase in time required to undertake investigations, has meant that time is no longer available in this plan year to undertake this audit. This audit will be considered for inclusion in the 2008-9 Audit plan. |

| Audits Introduced into Audit Plan | | |
|-----------------------------------|---|--|
| Dept | Job Details | Reason |
| Regeneration & Community | Investigation - DCP Laptop | Audit was asked to forensically examine an employee's laptop, to determine whether evidence existed that would support the allegation that the officer had breached Data Protection and confidentiality rules by inappropriately sharing personal information. |
| Regeneration & Community | Investigation - Private Business | Audit was asked to forensically examine an employee's PC, to determine whether evidence existed that would support the allegation that the officer was working in Council time and whilst sick and inappropriately used confidential information. |
| Regeneration & Community | DDEP - Final Year Audit | The Head of Audit & Risk Management was unexpectedly requested to certify the final year accounts for the DDEP. The DDEP were holding back £300k funding for 06/07 until they had received audited accounts |
| Children & Young People | Investigation - Aspire | Concerns about accounting discrepancies at the Leaving Care Team, Peartree Road (Aspire) were reported to the Head of Audit & Risk Management. |
| Children & Young People | Investigation - Breadsall Hill Top Jnr | Inappropriate images had been discovered on a school laptop and Audit was asked to forensically examine the laptop to determine their source and to check for any further inappropriate use. |
| Environmental Services | Investigation - Anonymous Allegation | An anonymous letter received via the whistleblowing procedure alleged that an officer had received hospitality from 3 firms which the officer was favouring when allocating work. |
| Environmental Services | Investigation - Complaints | Following the reinstatement on appeal of an officer who had been dismissed, a number of written complaints were received. The Head of Audit was appointed the investigating officer and the Audit Manager was asked to interview all of the complainants and report on the findings. |
| Corporate & Adult Services | Investigation - Electoral Registration | Audit was requested to forensically examine an employee's PC, to determine whether evidence existed that would support the allegation that the employee had inappropriately accessed and altered personal data. |
| Corporate & Adult Services | Contracts Procedures Rules - Review Group | The Corporate Director – Resources requested that the Audit Manager be co-opted into the Review Group responsible for revising the Council's Contracts Procedures Rules. |