



DERBY CITY COUNCIL

**AUDIT AND ACCOUNTS
COMMITTEE
8 DECEMBER 2005**

ITEM 7

Report of the Head of Audit and
Risk Management

FOLLOW UP AUDITS – CHANGES TO PROCESSES

RECOMMENDATION

- 1.1 To approve the approach to the reporting of follow up audits to the Committee.

SUPPORTING INFORMATION

- 2.1 At its September meeting, members of the Committee emphasised the need for a robust approach to the follow up of audit recommendations, to ensure implementation of accepted recommendations
- 2.2 Given the limitations of audit resources, relatively few audits are currently the subject of a formal follow up audit, although many finance-based audits are revisited annually according to a programme agreed with external audit. Consequently, Internal Audit is not in a position to know whether many of the accepted recommendations have been implemented.
- 2.3 To address this, the Head of Audit and Risk Management considers that the follow up audit process needs to change. The new process will rely more on routine reporting back, with full follow up audits being the exception and will operate as follows:
- Six months following the issue of the final audit report, Internal Audit will email the relevant Assistant Director and the relevant Line Manager with a request for information on the current implementation status of the agreed recommendations. They will be supplied with a questionnaire to complete. When audit has received the response and reviewed it, a decision will be made as to whether or not a full follow-up audit is required.
 - Line Managers will be given four weeks to respond to the questionnaire, otherwise the non-response will be drawn to the attention of the Chief Officer. The Assistant Director and line managers will be copied in to this email. If, after further reminders, no response has been received after eight weeks or the deadline of the next Committee meeting if later, the non-response will normally be reported through to the Committee.
 - The results of these follow up questionnaires will be summarised in the routine quarterly progress reports to the Audit and Accounts Committee, including any

non-responses, with the stage of implementation shown. Where a full follow up audit is planned or in progress this will also be shown.

- The results of full follow up audit reports will be reported on a similar basis, but the full report may then be subject to the call in procedure established for other reports. When the follow up audit report is issued to Chief Officers, managers will have a working week to challenge the accuracy of any findings before the report is treated as a final report.

2.4 Chief Officers have been consulted on this approach.

Reporting of Follow Up Audits to the Committee

2.5 The Head of Audit and Risk Management will report on implementation to this committee in the quarterly progress reports. For each audit report issued he will indicate the number of recommendations made and accepted in the three priority categories and then the number of recommendations per implementation status as per management's response to our questionnaire. We will also include the implementation details arising from any follow-up audits we have undertaken. We will indicate to this committee those reports where we have determined that we intend to undertake a follow-up audit and will give the committee the option to request a limited amount of further follow-up audits if considered necessary.

Example Committee Report

Job Name	Overall Control Rating	Rec. Rank	Recommendations		As per Management's Response to Follow-up Questionnaire				Follow-up Audit Required
			Made	Accepted	Implemented	Being Implemented	Superseded	Not Implemented	
Assignment 1	Satisfactory	Fundamental	0	0	0	0	0	0	No
		Significant	5	5	4	1	0	0	
		Merits Attention	12	12	7	4	1	0	
Assignment 2	Marginal	Fundamental	0	0	0	0	0	0	Yes
		Significant	5	5	1	1	1	2	
		Merits Attention	9	9	1	1	1	6	

Note: "Superseded" category includes where recommendations have been addressed through alternative measures.

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Background papers: Internal Audit Annual Plan 2005/6
List of appendices: Appendix 1 - Implications

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. Internal Audit contributes through its review work on the major corporate risks to the Council achieving corporate objectives and priorities. This is achieved by the audit of key systems and corporate governance issues and the associated risks. The work of Internal Audit is also relevant to the priority of 'value for money'.