AGENDA

For a meeting of the

GOVERNANCE AND AUDIT COMMITTEE

to be held on

THURSDAY, 15 MARCH 2012

at

2.00 PM

in the

WITHAM ROOM, COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ

Beverly Agass, Chief Executive

Committee Members:	Councillor Jean Bevan (Vice-Chairman), Councillor Trevor Scott, Councillor Rob Shorrock, Councillor Ian Stokes (Chairman), Councillor Jeff Thompson, Councillor Martin Wilkins and Councillor Rosemary H Woolley
Committee Support Officer:	Jo Toomey 01476 406152 E-mail: j.toomey@southkesteven.gov.uk

Members of the Committee are invited to attend the above meeting to consider the items of business listed below.

1. MEMBERSHIP

The Committee to be notified of any substitute members.

2. APOLOGIES

3. DECLARATIONS OF INTEREST

Members are asked to declare an interest in matters for consideration at the meeting.

4. MINUTES OF THE MEETING HELD ON 1 DECEMBER 2011

(Enclosure)

5. UPDATES FROM PREVIOUS MEETING

6. CERTIFICATE OF CLAIMS AND RETURNS ANNUAL REPORT

Report to be presented by the Audit Commission. **(Enclosure)**

7. AUDIT OPINION PLAN 2011-12

Report to be presented by the Audit Commission. **(Enclosure)**

8. INTERNAL AUDIT STRATEGY

Members will review the Internal Audit work plan for 2012/13 **(Enclosure)**

9. INTERNAL AUDIT PROGRESS REPORT

Members will consider the Internal Audit progress report **(Enclosure)**

10. INTERNAL AUDIT FOLLOW UP REPORT

Members will review the Internal Audit progress report **(Enclosure)**

11. GOVERNANCE AND RISK MANAGEMENT UPDATE

Report number HOF188 by the Head of Finance. **(Enclosure)**

12. PENSION FUND ASSUMPTIONS

Report number HOF191 by the Head of Finance. **(Enclosure)**

13. ACCOUNTING POLICIES

Report number HOF190 by the Head of Finance. **(Enclosure)**

14. COMPONENTISATION APPROACH

Report number HOF192 by the Head of Finance. **(Enclosure)**

15. BUSINESS CONTINUITY

Follow up from annual report – work plan 2011-12.

MINUTES

GOVERNANCE AND AUDIT COMMITTEE
THURSDAY, 1 DECEMBER 2011

COMMITTEE MEMBERS PRESENT

Councillor Bob Adams
Councillor Jean Bevan (Vice-Chairman)
Councillor Trevor Scott
Councillor Rob Shorrock
Councillor Ian Stokes (Chairman)
Councillor Martin Wilkins

OFFICERS

Head of Finance (Richard Wyles)
Development Management Service Manager (Pat Reid)
Finance Support Manager – Finance and Risk (David Scott)
Governance and Risk Officer (Tracey Elliott)
Principal Democracy Officer (Jo Toomey)
Tony Crawley (Audit Commission)
Paula Longden (Audit Commission)
Simon Lacey (RSM Tenon)
Rob Barnett (RSM Tenon)

42. MEMBERSHIP

The Committee were notified that Councillor Adams was substituting for Councillor Woolley for this meeting only.

43. APOLOGIES

An apology for absence was received from Councillor Thompson.

44. DECLARATIONS OF INTEREST

No declarations of interest were made.

45. MINUTES OF THE MEETING HELD ON 29 SEPTEMBER 2011

The minutes of the meeting held on 29 September 2011 were agreed as a correct record.

46. UPDATES FROM PREVIOUS MEETING

The Development Management Service Manager attended the meeting to update the Committee on the implementation of recommendations made by internal audit.

An outstanding recommendation related to the removal of files for use within the building. A system was introduced where, when a file was removed, it was replaced by a card, which the officer was required to sign. To help improve the storage of files, a programme of back scanning was on track for completion by April 2012. Councillors asked why the removal of files was not logged on computer. The cards provided a physical substitute for the hard copy file. This requirement would change with the completion of back scanning. The manager was also working with colleagues from IT to develop a system for the scanning of all planning applications on receipt.

Tracking the removal of files from the building was under consideration in a review of the lone working policy for Development Management staff. This would include a system to record where officers were going and the files they had with them. A system that would record the removal of files from the building would be in place by 1 January 2012.

Internal Audit advised Committee members that they would do a review to ensure control measures were in place. The results would be reported back to the Committee.

47. ANNUAL AUDIT LETTER

The District Auditor summarised the contents of the Annual Audit letter. He issued the Council an unqualified opinion on financial statements for the year ending 31 March 2011 and the certificate of completion of the audit. He also issued an unqualified conclusion stating the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March. 2011.

The Annual Audit letter also comprised a summary of current and future challenges faced by the Council. The key issues highlighted

were changes to council tax, non-domestic rates and self-financing the Housing Revenue Account.

The District Auditor also referred to planning for the future use of Council reserves. The Head of Finance explained that reserves had specified policy that were identified and agreed on an annual basis. If a project was underspent, the Committee would approve the use of the underspend as part of the year end accounts process.

Committee members noted the audit fee and the 1.5% rebate. Mr Crawley explained that the Audit Commission was committed to further rebates because of shrinkage within the Audit Commission's role.

Mr Crawley provided a progress update on secession of audit arrangements. The Audit Commission would complete the audit for the 2011/12 financial year. The 13 approved bidders had been announced and a list was available on the Audit Commission's website. Bidders had to make submissions for area contracts by 16 December 2011.

48. INTERNAL AUDIT PROGRESS REPORT

The senior manager from RSM Tenon summarised the internal audit progress report. Since the Committee's last meeting 8 reports were finalised covering: travel and subsistence, national non-domestic rates, partnerships, council tax, markets, payroll, treasury management and a follow-up report. 23 recommendations were raised across the 8 reviews; one recommendation was high risk, 8 medium risk and 14 low risk. All recommendations were accepted by management.

One change to the audit plan was made since the Committee's meeting on 29 September 2011: the removal of the Supporting People review. The authority was in the process of reviewing the service, working alongside Lincolnshire County Council.

Mr Barnett summarised the medium and high risk recommendations which were detailed in the report.

Councillors noted a review of Development Control Services, which was underway. One Councillor requested that internal audit review officer delegated decisions to ensure robust controls were in place. He suggested that the report should be submitted to the Development Control Committee for their information and reassurance.

In discussing the recommendations relating to non-domestic rates, Councillors considered the inspection rate of void properties. The Council had experienced some slippage in completing inspections on time because of staff absence and capacity. It was hoped this issue would soon be resolved.

Councillors also discussed the process of reconciling its Academy system with data from the Valuation Office. The Valuation Office updated its information whenever a rating assessment was changed; this data was forwarded on a periodic basis meaning systems were updated at different rates. As a remedy, the Council had agreed to introduce a temporary hold to cross-match its information against the Valuation Office's listing.

The Committee noted the report.

49. INTERNAL AUDIT FOLLOW-UP REPORT

Mr Barnett presented the recently completed follow-up report. This reviewed progress against internal audit recommendations until they were fully implemented. With 83% of recommendations fully implemented, internal audit opinion stated SKDC had demonstrated good progress. The implementation of 13% of recommendations was ongoing and 4% had been superseded.

The report provided a summary of the three recommendations that were not fully implemented, together with a summary of progress against the recommendation. Progress against these would be included in Internal Audit's next follow-up report.

Brief discussion ensued on accounting for Value Added Tax on rental by private tenants within Anite, the Council's housing computer system. Officers were working with Anite to see if that functionality was possible. Internal Audit stated that if a solution was not possible or the cost exceeded the benefit, they would remove the recommendation.

50. RISK REGISTER UPDATE

The Finance Support Manager (Finance and Risk) presented HOF181, the risk register update. At its meeting on 30 June 2011, the Committee approved the updated strategy. The Risk Management Improvement Plan, approved by the Committee on 29 September 2011, required regular reviews of the corporate risk register.

A review was undertaken alongside benchmarking against the risk registers of other authorities. One additional risk was added as a result of the review, which related to business and service disruptions in light of industrial actions or severe weather. This had previously been in service risk assessments but was escalated for management at a corporate level.

Categories were added to the register to provide additional context and weightings were applied. Levels of risk were shown on the heat map attached to the report at appendix B. Councillors commented on the usefulness of heat map in providing a summary of risks to the Council.

Of particular note for the Committee were risks relating to the economic and financial climate, both categorised as high. The Head of Finance explained that there was not currently sufficient detailed information to plan for the financial risks arising from changes to non-domestic rates and council tax.

The Committee would be provided with regular updates on the risk register. It was suggested that future updates include a marker indicating whether levels of risk had altered.

The Committee noted the contents of report HOF181.

51. TREASURY MANAGEMENT MID-YEAR REVIEW

The Finance Support Manager (Finance and Risk) presented report number HOF174, which provided a mid-year review of treasury management activity for 2011/12. He highlighted key points in the report:

- The report covered 6 months from 1 April 2011 to 30 September 2011.
- The Council had not undertaken additional long-term borrowing.
- There was still an outstanding debt portfolio, which was constantly reviewed to see whether it would be cost-effective to settle the debt early.
- New debt taken on as a consequence of the self-financing of the Housing Revenue Account could affect the cost-effectiveness of paying debts early.
- The investment portfolio was consistent with the previous year; appendix B showed the current position.
- Interest rates were expected to remain static for a further 18-months, which meant the council needed to maintain a good

risk-based approach to strategy.
- Appendix C outlined the prudential code and indicators, which were maintained within the agreed limits.

The Committee asked questions on the report. Appendix B, showing the investment maturity analysis, recorded the average interest rate for RBS Global Treasury Fund as variable. It was not possible to provide a specific figure because rates fluctuated on a daily basis.

Short-term investments sat across a number of banks. Officers maintained a breakdown, which showed exactly where money was.

The Committee noted the mid-year activity position of 2011-12 (April 2011 to September 2011).

52. TREASURY MANAGEMENT STRATEGY 2011-12 UPDATE

Decision:

The Governance and Audit Committee recommends to Council:

1. ***The amendments to the 2011/12 Treasury Management Strategy as identified in report number HOF177.***
2. ***The Strategic Director - Corporate Focus (s151 officer) and the Resources Portfolio Holder be delegated to authorise the most suitable and financially advantageous method of borrowing to finance the HRA self-financing payment.***

The Head of Finance summarised report number HOF177 on the revision of the Treasury Management Strategy 2011/12. He explained that ordinarily changes to the Treasury Management Strategy were delegated to the Committee, but because the changes were so significant, the report was being put to Council on 8 December 2011.

Changes to the strategy were required to accommodate the self-financing of the Housing Revenue Account; the updated strategy was attached at appendix A to the report. The report also recommended that the Strategic Director – Corporate Focus (s151 officer) and the Resources Portfolio Holder be given delegated authority to authorise the most suitable method of borrowing to finance the HRA self-financing payment. This delegation was required as the single transaction date was 28 March 2011. Increased parameters of the prudential indicators were required to enable the transaction on the appointed day. The borrowing limit needed increasing. The final

figure the Council would be required to pay would be confirmed in January 2012. The revised strategy also proposed widening investment criteria.

The self-financing of the HRA required the Council to produce a 30-year business plan. The Council was still obliged to use nationally set rents, working towards rent convergence by 2015/16. When this was achieved, rents would increase annually in line with the retail price index and 0.5%.

Right to buy receipts would still be pooled – the Council would keep 25% of the sale receipt with the remainder going to central government. Modelling assumed a certain level of right to buy; increases in right to buy could affect modelling as the housing stock would be reduced.

The Council would be able to retain 100% of the receipt from empty dwellings and surplus land if it can demonstrate how it supported housing need.

The strategy had been subject to an equalities impact assessment. An ethical statement had been added to the strategy, which required all cash investments made by, or on behalf of the Council, were socially responsible.

The recommendations in report number HOF177 were proposed seconded and agreed.

53. BUSINESS CONTINUITY

At its last meeting, the Committee considered SKDC's business continuity plan. An initial copy of the business continuity action plan was circulated with the agenda. The Committee would be provided with further detail at its meeting on 16 March 2012.

54. CLOSE OF MEETING

The meeting was closed at 14:15.

Certification of claims and returns - annual report

South Kesteven District Council

Audit 2010/11

audit commission

Agenda Item 6

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Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of my 2010/11 certification work

The Authority has performed well in preparing its claims and returns.

My team certified six claims and returns for the year ended 31 March 2011 with a certifying value of over £78 million. We carried out a limited review of two claims and a full review of the remaining four. My work gave rise to the amendment of three claims, of which two affected the overall value of the claim. Table 1 provides a summary of the certification work.

I was unable to fully certify the housing and council tax benefit claim and issued a qualification letter accompanying my certificate to the grant-paying body.

Table 1: **Summary of 2010/11 certification work**

Number of claims and returns certified	
Total value of claims and returns certified (detailed breakdown in Tables 2 and 3)	£78,122,712
Number of claims and returns amended due to errors	3
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	1
Total cost of certification work	£17,540

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

Tables 2 and 3 below provide more detail including whether amendments were made or a qualification letter issued for, respectively, claims and returns above £500,000 and claims and returns between £125,000 and £500,000.

Table 2: **Claims and returns above £500,000**

Claim or return	Value of claim or return presented for certification	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£35,262k	No, mandated HB count approach taken.	£24k, see further explanation of amendments below*.	Yes
HRA subsidy	£6,437k	No, medium risk because errors identified.	£5k, conversion from bedsit to flat of small number of properties during 2010/11 was not reflected in the claim.	No
National non-domestic rates return	£35,768k	Yes	0	No

Claim or return	Value of claim or return presented for certification	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing finance base data return	6,265 properties	No, high risk claim due to national changes to housing finance.	4 cells amended, successions were included in incorrect cell. No impact on total value of claim.	No

*I issued one qualification letter this year, relating to the housing and council tax benefit scheme grant claim. I reported in my qualification letter that:

- there were small differences between the benefit granted and benefit paid within the benefit software;
- one rent rebate case had received overpaid benefit as a result of miscalculating the claimant's weekly childcare costs; and
- one rent allowance case (modified schemes) was miscalculated because the war pension had been incorrectly input to the system.

In line with certification requirements, further testing was carried out on rent rebate payments with childcare costs, and modified schemes to assess the magnitude of any problem. No further errors were found in either category.

All queries relating to claims and returns were responded to quickly by the Authority's officers and amendments were made promptly. This facilitated the certification within the deadlines of each grant paying body; no claim or return was certified late. As a result, I have raised no recommendations for the Authority.

As planned, we provided training to internal audit to enable its staff to carry out some of the detailed testing on the housing and council tax benefit scheme grant claim. In our view this increased co-operation worked well, enabling the work to be completed on-time and efficiently. We were able to reduce our fee for this claim accordingly.

Table 3: **Claims between £125,000 and £500,000**

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Pooling of housing capital receipts	342	0	No
Disabled facilities	284	0	No

Summary of recommendations

This section highlights the recommendations arising from my certification work and the actions agreed for implementation. There are no outstanding recommendations from previous years.

The Authority has prepared its claims and returns well and ensured that they are properly supported by clear working papers. I have no recommendations to make.

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 4: **Summary of certification fees**

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£11,047	£21,840	Auditing of discovery samples by internal audit.
Pooling of housing capital receipts	£422	£449	
HRA subsidy	£1,161	£1,274	
Housing finance base data return	£2,906	£2,353	Parts A&B testing due to high risk relating to the national changes to housing finance.
National non-domestic rates return	£1,265	£1,079	This small increase (£186) is due to matters such as year on year variances in sample sizes.
Disabled facilities	£739	£360	This small increase (£379) is due to matters such as year on year variances in sample sizes.
Total	£17,540	£27,355	

Supervision and management time has been prorated across individual fees.

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.

www.audit-commission.gov.uk

February 2012

Audit plan

South Kesteven District Council

Audit 2011/12

audit commission

Agenda Item 7

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Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Governance and Audit Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

I need to understand the Authority to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying the business risks facing the Authority, including assessing your own risk management arrangements;
- considering the financial performance of the Authority;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Authority's information systems.

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: **Significant risks**

Risk	Audit response
The government has set out its plans to reform local authority housing finance by adopting a self-financing model from 1 April 2012. For South Kesteven DC, this will be through a one-off settlement payment of approximately £122m to central government on or before 28 March 2012. This will adjust the Housing Revenue Account (HRA) debt of the Authority. Due to the complexity, magnitude and timing of the reform there is risk of material errors in: ■ your disclosures within the HRA; and ■ property, plant and equipment and borrowing in the balance sheet and supporting financial notes.	I will continue to monitor the management response to HRA reforms and the plans being prepared. I will review your accounting judgements and substantively test your chosen accounting treatment.

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that can be undertaken before you prepare your accounting statements.

The nature and timing of my proposed work is as follows.

Table 2: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	Council tax NNDR Housing Benefits	Documentation and walk through of all material financial systems. Controls testing of: General Ledger Council tax NNDR Housing Benefits		See below. Liaison arrangements and initial correspondence will be started in early 2012.	IT risk assessment Pension contributions Property, plant and equipment - existence and rights and obligations.
Final visit			Pensions assets and liabilities – external auditor to Lincolnshire County Council Pension Fund	Valuation of property, plant and equipment –District Valuer. Valuation of pension fund assets and liabilities – Hyman Robertson LLP. Valuation of financial instruments – Sector.	All material accounts balances and amounts Year-end feeder system reconciliations

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of my review and the nature of my report are specified by the National Audit Office.

Value for money

I am required to reach a conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness.

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

- securing financial resilience – focusing on whether the Authority is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Authority secures economy, efficiency and effectiveness – focusing on whether the Authority is prioritising its resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion, and at this stage there are no significant risks that I need to address through additional work. I will continue to monitor your preparations for local authority housing finance reform, the reduction in income streams and changes in the treatment of business rates income and council tax benefit.

Key milestones and deadlines

The Authority is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 3: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	January-March 2012	Progress reports to Audit Committee
Opinion: receipt of accounts and supporting working papers	TBA	N/A
Opinion: substantive testing	Exact dates to be finalised, but main visit expected to be during July 2012	Annual Governance Report
Present Annual Governance Report at the Governance and Audit Committee	By 30 September 2012	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 4: **Audit team**

Name	Contact details	Responsibilities
Tony Crawley District Auditor	t-crawley@audit-commission.gov.uk 0844 798 4098	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Paula Longden Audit Manager	p-longden@audit-commission.gov.uk 0844 798 4321 07977 420164	Manages and coordinates the different elements of the audit work. Key point of contact for the Strategic Director for Corporate and Customer Services.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £103,550* as set out in my letter of 10 March 2011.

The audit fee

The Audit Commission has set a scale audit fee of £103,550 which represents a 5% per cent reduction on the audit fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a reduction resulting from the new approach to local VFM audit work; and
- a reduction following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

* The Audit Commission is committed to paying a rebate of £8,284 to reflect the attainment of internal efficiency savings, reducing the net amount payable by South Kesteven District Council to £95,266.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may be required to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with Strategic Director for Corporate and Customer Services and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I have not identified any specific actions that you could take, and will continue to provide a suggested list of working papers to help the efficiency of the audit.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charges fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows.

Table 5: **Fees**

	2011/12 proposed	2010/11 actual	Variance
Audit	£103,550	£109,000	(£5,450)
Certification of claims and returns	£18,000*	£17,540	£0
Non-audit work	£0	£0	£0
Total	**£121,550**	**£126,540**	**(£5,450)**

* My proposed fee for the certification of claims and returns has reduced from £25,000 in my letter of 20 March. The fee has been revised to take into account the following:

- internal audit carried out testing of the initial sample of housing benefit cases for the 2010/11 claim, which substantially reduced the work we had to undertake and this work is planned for 2011/12;
- our expectation is that the number of claims requiring certification will reduce; and
- we are required to carry out more extensive testing in 2011/12 on your NNDR3 (LA01) claim. This is a cyclical requirement.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice's Director – Standards and Technical, who serves as the Audit Practice's Ethics Partner.

Table 6: **Independence and objectivity**

Area	Requirement	How we comply
Business, employment and personal relationships	Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement. The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.	All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised. Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission. Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example, that internal controls are operating effectively.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on the following systems on which I can rely.
  - NNDR;
  - council tax; and
  - housing benefits.
- The Authority provides:
  - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by the start of the audit;
  - other information requested within agreed timescales; and
  - prompt responses to draft reports.
- There are no questions asked or objections made by local government electors.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion and value for money conclusion.

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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- any director/member or officer in their individual capacity; or
- any third party.

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March 2012

RSM Tenon

South Kesteven District Council

Strategy for Internal Audit
2012/13 – 2014/15

For presentation at the Governance & Audit Committee meeting of 15th March 2012

Approved by Chris Williams as Head of Internal Audit

Your council working for you

Agenda Item 8

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This report is prepared solely for the use of the Authority and senior management of South Kesteven District Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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1 INTRODUCTION

1.1 Overall Approach

This strategy sets out the approach we have taken to develop your internal audit plan for 2012/2013 – 2014/15. It provides the Governance & Audit Committee with a three year strategy and a more detailed plan for 2012/13.

1.2 The Purpose and Function of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(Chartered Institute of Internal Auditors)

Our professional responsibilities as internal auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland.

As such, our approach to internal audit also meets the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help South Kesteven District Council achieve its objectives.

2 DEVELOPING YOUR INTERNAL AUDIT STRATEGY

2.1 Developing the Strategy and the Detailed Plan for 2012/2013

South Kesteven District Council's objectives and risk profile are the starting point in the development of the strategy for internal audit for the organisation, which is set out at Appendix A to this document.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process;
- a contingency allocation, which will only be utilised should the need arise, for example, for unplanned and ad-hoc work and will be subject to prior approval by the Governance and Audit Committee.
- an audit management allocation, used at Director, Associate Director and Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Governance & Audit Committee.
- Council Tax, NNDR and Housing Benefits audits which were undertaken as part of the 2011/12 plan and have been included in the plan for 2012/13 to provide additional assurance as part of the Joint Working Arrangements initiated by the external auditors. However, due to the ongoing changes within the Audit Commission; these reviews will be confirmed with the external auditors.
- The total number of days for 2012/13 is 190 days.

The strategy will be revisited each year to confirm current priorities for internal audit coverage and to develop a detailed internal audit plan for the forthcoming year.

The detailed plan for 2012/2013 is set out at Appendix B.

2.2 Your Internal Audit Team

Your internal audit team is led by Chris William (Director).

Your Senior Manager is Robert Barnett (Senior Manager).

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

2.3 Internal Audit Fees

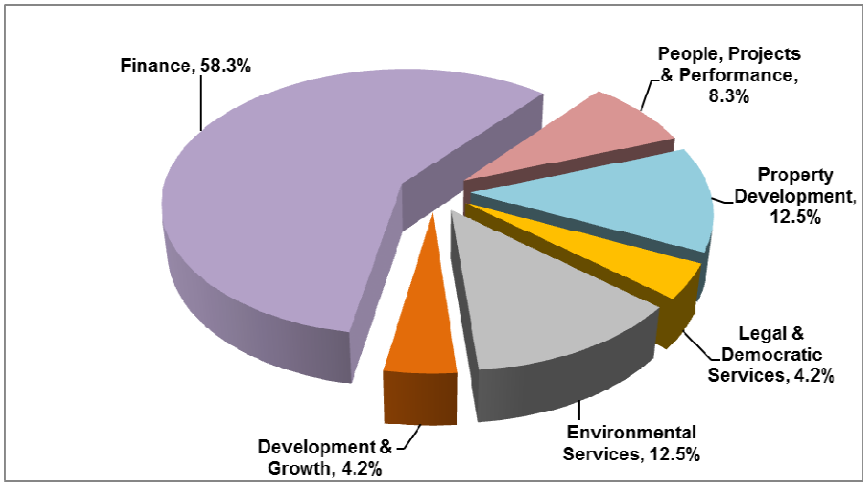
In line with our original tender and subsequent engagement letter, the fee for your internal audit service for 2012/13, had we applied an inflationary increase, would have been a composite daily rate of £313.50. However, following discussions with the Finance Support Manager and Head of Finance the fee for your internal audit service for 2012/13 is £58,330 based on 190 days. This represents an uplift of 2.3% as opposed to the 4.5% RPI and a composite daily rate of £307.

3 CONSIDERATIONS FOR THE GOVERNANCE & AUDIT COMMITTEE

We as your Internal Auditors are satisfied with the Internal Audit plan being presented however; we do ask that you ask yourself the following key questions:

- Does the Strategy for Internal Audit (as set out at Appendix A) cover the organisation's key risks as they are recognised by the Governance & Audit Committee?
- Does the audit strategy include all those areas that the Governance & Audit Committee would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?
- Is the level of audit resource accepted by the Committee and agreed as appropriate, given the level of assurance required?
- Does the detailed internal audit plan for the coming financial year (see Appendix B) reflect the areas that the Governance & Audit Committee believes should be covered as priority?
- Is the Governance & Audit Committee satisfied that sufficient assurances are being received by the organisation to effectively monitor the organisation's risk profile?

The chart below shows the allocation of internal audit reviews across the different service areas:



The above chart does not include the Follow Up reviews as these cover all directorates. In 2012/13 no reviews were identified for Community Assets and Housing & Neighbourhoods.

APPENDIX A: STRATEGY FOR INTERNAL AUDIT 2012/13 – 2014/15

Risk Based Coverage

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
FINANCE					
Corporate Governance	Scheme of Delegation, Financial Regulations and information presented to Members does not enable informed decision making.	Identified by Management	✔	✔	✔
Risk Management	The Council does not have a clear methodology in place for identifying objectives and identifying, assessing, prioritising, preventing or containing high priority risks. This may lead to inappropriate objectives being defined and risks not being identified or managed properly.	Identified by Internal Audit	✔	✔	✔
Treasury Management	Changes in HRA financing arrangements with introduction of self-financing model in April 2012. Reduction in investment income / loss. Insufficient cash available to meet liabilities. Failure to review Counterparty List. Failure to monitor investments and adhere to Audit Commission advice / warnings. Failure to manage Borrowings correctly.	Corporate Risk Register (Ref: 1b) / Service Risk (Ref: FR-R7) / Identified by Management		✔	✔

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
FINANCE					
Budgetary Control and Budget Setting	Insufficient budget resources to finance expenditure. Reduction in budget income. Lack of compliance with the Council's budget setting, monitoring and reporting procedures due to lack of training or inadequate dissemination of policy and procedure.	Service Risk (Ref: FR-R4 and R5) / Identified by Management / Internal Audit		✔	
General Ledger / Main Accounting System	Inaccurate financial records. Inappropriate transactions are not identified.	Identified by External Audit	✔		✔
Creditors & Procurement	Budgets are not controlled as expenditure is not recorded at the time of commitment. Financial loss to the Council through unnecessary and inappropriate invoices being paid. Failure to manage the usage and expenditure relating to procurement cards. Supplier / Contractor failure.	Identified by Management	✔		✔
Debtors	Financial loss to the Council due to the lack of identification of monies due. Income is not received as expected, resulting in loss of funds to the organisation. Bad debts are written off where there is a chance of recovery of funds, resulting in a loss of income.	Identified by External Audit / Internal Audit	✔		✔

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
FINANCE					
Cash & Banking	Misappropriation of funds due to monies not being recorded accurately upon receipt. Monies not being securely held prior to banking or when transferring to the bank. Banking not being completed in a timely manner or complete manner.	Identified by Management	✔	✔	✔
Payroll and Expenses	Staff records are inappropriately changed and monies misappropriated. Additional or incorrect payments are made to staff, resulting in financial loss to the organisation. Staff are not paid on the date expected, impacting staff morale. Monetary fines and damage to reputation through non payment of payovers (such as national insurance or pension deductions).	Identified by External Audit / Management	✔		✔
Insurance	Inadequate Insurance arrangements in place leading to financial and reputational loss. Value for money is not obtained with regards to insurance services.	Service Risks (Ref: FR-R8) / Identified by Management	✔		

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
FINANCE					
Housing Benefit	Legislation changes within benefits. Failure to process claims promptly and accurately. Statutory returns are not completed on time. Inaccurate or incomplete recording in the Housing Benefit system and ledger.	Identified by External Audit	✔		✔
Medium Term Financial Strategy	Failure to achieve a sustainable Medium Term Financial Plan in response to challenging economic / financial climate.	Corporate Risk Register (Ref: 1a)		✔	
Council Tax	Failure to comply with legislation. Failure to meet annual council tax billing deadline. Breach in procedures in relation to Council Tax activity. Inaccurate or incomplete Council Tax bills, leading to loss of income.	Service Risk (Ref: RB-R2 and R3) / Identified by External Audit	✔		✔

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
FINANCE					
NNDR	Failure to meet NNDR legislation and government returns. The Council is not aware of the premises from which rates should be collected. Delays in notification may result in billing being incorrect and late billing of amendments. The billing run may be incomplete and go undetected. Without clear and formal procedures bills may not be raised correctly. Relief may be granted which may later be considered inappropriate.	Service Risk (Ref: RB-R5) / Identified by External Audit	✔		✔
Anti-Fraud & Corruption – Bribery Act	Failure to develop adequate procedures required under the Bribery Act.	Identified by Management / Internal Audit	✔		
Rent Collection and Arrears (including Leaseholders)	Financial procedures and relevant housing legislation are not being adhered to. Council tenants are not legally notified of rent increases leading to loss of rental income. Rent arrears are not identified/monitored and recovery action taken in accordance with internal procedures and relevant legislation. Collection levels are not monitored.	Identified by Management / Internal Audit	✔		

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
FINANCE					
Information Technology (Year 1 Data Security, Year 2 IT Health Check, Year 3 tbc)	Loss or failure of the system resulting in the inability to continue processing and potential data corruption. Loss of personal data or other sensitive data. The system processes inaccurate or incomplete data leading to data corruption, fraud or the integrity of the system being threatened. System outputs are not available when required, are incomplete or inaccurate.	Service Risk (Ref: IT-R6) / Identified by Management	✔	✔	✔
Benefits Fraud Investigation	Failure to comply with legislation. Staff are not adequately trained. Failure to investigate allegations of potential fraud. Joint Working with key partners is not utilised to detect and prevent fraud. Failure to impose sanctions including prosecution on benefit claimants who have committed an offence.	Service Risk (Ref: RB-R3) / Identified by Management		✔	

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
PEOPLE, PROJECTS & PERFORMANCE					
Performance & Programme Management (Year 1 – Programme Management, Year 3 – Performance Management)	Failure to integrate new localised performance framework together with local measures linked to priority actions.	Corporate Risk Register (Ref: 7)	✔		✔
Flexible Working Arrangements	Failure to comply with legislation. Arrangements are not clearly developed thus impacting on efficiency.	Service Risk (Ref: HR-R4) / Identified by Management/ Internal Audit	✔		
Absence Management	High level of sickness absence in certain service areas which may impact on ability to deliver services.	Identified by Management		✔	
Customer Services	Failure to meet customer demand. Failure to implement service review recommendations.	Service Risk (Ref: CS-R1) / Identified by Management		✔	

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
PROPERTY DEVELOPMENT					
Leases	Policies and procedures relating to granting of leases are being breached leading to legal action. Leases are issued / renewed without appropriate authorisation. Expired leases are not promptly detected.	Identified by Management	✔		
Building Control	Effect of competition and economic situation on workload and income. Inability to deliver service standards expected in a competitive market. Failure to secure compliance with Building Regulations resulting in compensation claims or threats to reputation.	Service Risk (Ref: BC-R1, R3 and R4) / Identified by Management		✔	

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
PROPERTY DEVELOPMENT					
Asset Management Plan (Year 1 – AMP, Year 2 Software)	The Council has not defined an Asset Management strategy that helps the organisation to achieve its objectives. Assets are inaccurately, incompletely recorded or not recorded in a timely manner. Assets do not exist where they are recorded as existing - transfers / stolen / obsolete / sold. Assets are written off or disposed of inappropriately leading to loss or theft. Assets are not held securely. Losses / theft / damaged asset equipment are not reported.	Identified by Management	✔	✔	
Contract Management (Year 1 - Ground & Tree Maintenance Contract)	Risks associated with ground and tree maintenance are not identified and appropriately managed. Failure to provide an adequate ground and tree maintenance service. Quality inspections are not undertaken, resulting in poor quality work.	Identified by Management	✔		
Car Parks	Failure to comply with legislation. Car Parks are not effectively managed or controlled and income is not accounted for.	Identified by Management		✔	

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
CORPORATE FOCUS					
LEGAL & DEMOCRATIC SERVICES					
Elections	Failure to comply with legislation. Electoral register is inaccurate or incomplete. Election notifications are not advertised appropriately. Those requiring postal voting are not identified. Staff resources are not managed appropriately during elections. Elections turnout is not monitored and recorded	Identified by Internal Audit	✔		
Members Allowances & Expenses	Lack of compliance with Council policy and procedures in relation to Members Allowances and Expenses. Failure to publish Member Allowances in accordance with legislation. Failure to monitor and control expenditure.	Identified by Internal Audit		✔	
Code of Conduct and Register of Interest	Failure to comply with policies and procedures. The Code of conduct is not up to date. Register of interest is incomplete.	Identified by Internal Audit		✔	

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
COMMUNITY & ENVIRONMENT FOCUS					
ENVIRONMENTAL SERVICES					
Licensing	Failure to comply with legislation – Licensing Act. Licenses are issued without appropriate authorisation. Expired licenses are not promptly detected. Failure to monitor payments and recording of income.	Service Risk (Ref: CL-R1) / Identified by Management	✔		
Community & Anti-Social Behaviour	Failure to comply with legislation- Crime and Disorder Act. Unable to deliver community crime/ ASB reduction programmes (funding reduction).	Service Risk (Ref: CL-R1 and R4)		✔	
CCTV	Failure to deliver CCTV service leading to loss of reputation. Loss of revenue for CCTV impacting on service delivery.	Service Risk (Ref: CL-R2 and R3)			✔
Green Waste Charges	Risks associated with areas relating to Green Waste are not identified. Policies and procedures are not adhered to. Failure in operational performance. Green Waste charges are not effectively managed leading to a loss of income.	Identified by Management	✔		

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
COMMUNITY & ENVIRONMENT FOCUS					
ENVIRONMENTAL SERVICES					
Refuse Collection (incl. Bulky Waste)	Risks associated with areas relating to refuse collection are not identified including failure to deliver service due to adverse weather conditions. Performance is not monitored including missed bins. Failure to deal with customer complaints leading to dissatisfaction with the service.	Service Risk (Ref: WR-R3) / Identified by Management	✔		
Environmental Health	Failure to respond to major incidents. Failure to respond to changes in legislation. Failure to carry out inspections and investigations. Failure to succession plan to ensure adequate capacity for all discrete professional and technical areas. Failure to effectively manage the transition of service lines into the department due to go live on 1st April 2012.	Service Risk (Ref: EH-R2, R3, R4 and R6)		✔	
Fleet Management	Failure to deliver service due to ageing vehicles. Failure to deliver service due to fuel crisis.	Service Risks (Ref: WR-R2 and R3) / Identified by Management			✔

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
COMMUNITY & ENVIRONMENT FOCUS					
ENVIRONMENTAL SERVICES					
Recycling	Market collapses for recycling materials. Failure to promote recycling in the District. Failure to monitor performance.	Identified by Management			✔
Street Cleansing	Failure in operational performance. Consistent and prompt action is not taken when dealing with customer enquires/ complaints.	Identified by Management			✔
COMMUNITY ASSETS					
Leisure Management Contract	Failure to deliver service due to underperformance of leisure management provider. Failure to deliver service due to profitability of leisure management provider. Failure of leisure centre plan.	Service Risk (Ref: LA-R1, R2 and R3) / Identified by Management		✔	
Arts Centres	Failure to deliver service due to loss of Arts Council Grant. Failure to adequately advertise, promote and provide meaningful information to the general public about the Arts Centre. Loss of income due to inadequate costing of their services and failure to accurately collect and record income.	Service Risk (Ref: CU-R5) / Identified by Management			✔

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
COMMUNITY & ENVIRONMENT FOCUS					
COMMUNITY ASSETS					
Planned & Cyclical Maintenance and Capital Programme	Failure to deliver capital programme. Failure to have in place an up to date planned / cyclical maintenance strategy. Failure to monitor costs associated with Planned / Cyclical Work.	Service Risk (Ref: PF-R1) / Identified by Management		✔	
Contract Management	Failure to appoint competent contractors. Failure to monitor contract performance.	Service Risk (Ref: PF-R8)		✔	
HOUSING & NEIGHBOURHOODS					
Supporting People (including Lifeline and Care Services)	Loss of SP contracts / income resulting in re-structuring of Supported Housing service and potential loss of jobs / redundancies.	Service Risk (Ref: SH-R1)		✔	
Lettings (including Void Management)	Failure to meet statutory obligations. Housing waiting list not up to date. Failure to minimize housing voids resulting in rent loss.	Service Risk (Ref: HM-R1 and R3) / Identified by Management		✔	

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
COMMUNITY & ENVIRONMENT FOCUS					
HOUSING & NEIGHBOURHOODS					
Resident Involvement	Inconsistent practice leading to duplication of resource, poor value for money and ultimately non-achievement of agreed objectives. Adverse PR / financial losses attributed to failure to identify and monitor the risks associated with Resident Consultation and Participation. Dissatisfied Tenants through failure to deliver services Tenants want. Inability to demonstrate continuous improvement in services.	Identified by Management			✔
Homelessness	Failure to meet statutory obligations (i.e. Homeless Act 2002). Failure to respond to increased demand for housing from homeless cases. Bed and breakfast spending – increased demand for emergency accommodation needed to meet statutory responsibilities.	Service Risk (Ref: HS-R3, R4, R5)			✔

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
DEVELOPMENT & GROWTH FOCUS					
DEVELOPMENT & GROWTH					
Economic Development	Failure to identify changes in legislation. Inability to maintain specific project / grant funding. Failure to deliver projects due to poor project management. Failure to identify roles, responsibilities and liability issues. Failure to communicate leading to breakdown in relationship with external stakeholders.	Service Risks (Ref: ED-R1, R2, R3, R4 and R5)		✔	
Land Charges	Failure to respond to changes in legislation. Applications are not readily identified or incomplete applications are accepted. Local Land Charges register is incomplete or not up to date. Fees are not charged in accordance with approved rates. No audit trail exists to ensure that payment has been received for all applications.	Identified by Management	✔		
Planning	Failure to comply with legislation resulting in inability to defend planning decisions.	Service Risk (Ref: DC-R2)			✔

Auditable Area	Potential Risks and not Actual Risks	Source	2012/13	2013/14	2014/15
DEVELOPMENT & GROWTH FOCUS					
DEVELOPMENT & GROWTH					
Conservation	Failure to enforce laws and regulations relating to conservation areas including listed buildings and tree preservation orders. Failure to maintain an up to date conservation register. An appraisal programme of conservation areas is incomplete.	Identified by Management			✔

OTHER INTERNAL AUDIT COVERAGE

Internal Audit Coverage	Source / Rationale	2011/12	2012/13	2013/14
Contingency	A contingency allocation will only to be used for unplanned and ad-hoc work and will be subject to prior approval by the Governance and Audit Committee.	✔	✔	✔
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	✔	✔	✔
Audit Management	This will include: ▪ Annual planning ▪ Preparation for, and attendance at, Governance & Audit Committee meetings ▪ Regular liaison and progress updates ▪ Liaison with external audit ▪ Preparation of the annual internal audit opinion	✔	✔	✔

APPENDIX B: DETAILED INTERNAL AUDIT PLAN 2011/12

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Corporate Governance	▪ Governance arrangements in relation to Scheme of Delegation and Decision Making; ▪ How are responsibilities are defined and communicated; ▪ Terms of Reference; ▪ The Constitution / Contract Procedures / Scheme of Delegation / Financial Regulations – are these in place, have these been clearly communicated and how often are these documents reviewed; ▪ The process of monitoring compliance with Financial Regulations, Scheme of Delegation and Contract Procedures; and ▪ Training on corporate governance taking place and attendance by relevant Officers.	Risk Based	August 2012	6	September 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Risk Management	▪ Risk methodology; ▪ Identification of risks; ▪ Departments approach to risk; ▪ Risks linked to objectives; ▪ Departmental service plans; ▪ Risk management policy approval and review; ▪ Review and update of risk registers (Corporate and Service); and ▪ Reporting to Senior Management and Committees.	Risk Based	January 2013	4	March 2013
General Ledger & Main Accounting System	▪ Policies and procedures; ▪ Roles and responsibilities; ▪ Opening balances brought forward; ▪ Feeder systems; ▪ Control accounts; ▪ Periodic cash / bank reconciliations; ▪ Journal transfers; ▪ Suspense accounts; and ▪ Management information and reporting.	Risk Based	January 2013	7	March 2013

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Creditors & Procurement	▪ Payments made to suppliers; ▪ Authorisation of invoices; ▪ Roles and responsibilities for setting up new suppliers; ▪ Procurement Cards; and ▪ Performance monitoring including percentage of invoices which have to be paid in 30 days	Risk Based	August 2012	7	September 2012
Debtors	▪ Recording and monitoring of income; ▪ Invoicing; ▪ Collection of outstanding debt; ▪ Performance monitoring; ▪ Use of debt collection agencies; and ▪ Management information.	Risk Based	August 2012	6	September 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Cash & Banking	▪ Daily cash up procedures; ▪ Postings to the cash book and general ledger; ▪ Segregation of duties; ▪ Staff training; ▪ Cash and cheques are promptly recorded in the appropriate cash records and banked intact without delay; ▪ Arrangements at Area Offices; ▪ Banking arrangements; ▪ Cash/Bank reconciliations; and ▪ Use of and access to the safes.	Risk Based	October 2012	6	December 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Payroll and Expenses	▪ Financial Regulations in relation to Payroll and expense payments; ▪ Policies and Procedures; ▪ Payroll Processing Timetable; ▪ Authorised Signatories; ▪ Segregation of duties; ▪ Access to the payroll system; ▪ Starters, leavers and changes; ▪ 'Ghost' employees; ▪ Expense claims reimbursements; ▪ Processing of payroll data; ▪ BACS payments; ▪ Control and suspense accounts; ▪ Reconciliation to main accounting system; ▪ Identification and payment of payovers – tax, National Insurance, pension etc; and ▪ Management reporting and information.	Risk Based	January 2013	6	March 2013
Insurance	▪ Insurance policy – adequate cover; ▪ Insurance services – value for money / tendering; and ▪ Management information.	Risk Based	December 2012	6	March 2013

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Housing Benefit	▪ Only authorised staff are able to amend the system parameter files; ▪ Systems output agreed at start of year to ensure that Parameter files etc are set-up correctly and other new year changes are correct; ▪ Council Tax Benefits transfer at start of year agreed to Council Tax System; ▪ Housing benefit claims processed are independently checked; ▪ Payment run reports are reviewed and agreed to HB controls; ▪ Overpayment reports obtained and invoices produced; ▪ Systems transfer between Housing Benefits System, Council Tax and Housing Ledger reconciled and agreed; and ▪ Feeder systems into general Ledger System for rent allowances, rent and council tax rebates are reconciled with entitlement on Housing Benefit System at year end transfer.	Key Controls	September 2012	7	December 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Council Tax	▪ Parameter files and poundage rates are agreed; ▪ Start of year billing agreed to controls and valuations; ▪ New-year volume of invoices despatched agreed; ▪ Amendments to valuation list processed promptly and correctly; ▪ Bank and Direct collection receipts posted daily are reconciled and suspense cleared; and ▪ Council Tax and general ledger reconciled at year-end.	Key Controls	September 2012	5	December 2012
NNDR	▪ The rateable value is reconciled to the valuation list and applicable poundage applied; ▪ Changes to properties and RV are checked; ▪ Relief applications are checked; ▪ Daily cash balanced to NNDR account; and ▪ NNDR reconciled to MAS at year-end.	Key Controls	September 2012	5	December 2012
Anti-Fraud & Corruption	▪ Staff awareness of the Bribery Act; ▪ Procedures developed in relation to anti-bribery; and ▪ Management considerations/ actions in relation to the Bribery Act.	Key Controls	April 2012	7	June 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Rent Collection & Arrears	▪ Policies and procedures; ▪ Financial regulations; ▪ Payment methods available; ▪ Rent collection / recording of income / allocation to tenants' and leaseholder accounts; ▪ Reconciliation with the main ledger; ▪ Debt recovery process / recovery action; ▪ Performance against standards / targets; and ▪ Management Information and reports.	Risk Based	August 2012	7	September 2012
Data Security	▪ Policies and procedures relating to data security; ▪ Compliance with legislation; ▪ Staff training and guidance; ▪ Confidential waste disposal facilities; ▪ Storage of data; ▪ Access to information/data; and ▪ Controls over transferring data to external parties and transporting data	Advisory	July 2012	7	September 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Programme Management	▪ Programme and project methodology; ▪ Project management data; ▪ Management information to officers and members to support sign-off of new projects; ▪ Use of Covalent to report on-going project work; and ▪ Monthly updates on project progress.	Risk Based	December 2012	7	March 2013
Flexible Working Arrangements	▪ Flexible Working Arrangements Policy; ▪ Processes underlying the operation of flexible working arrangements; ▪ Consistent approach across departments/ service areas; ▪ Line manager involvement in working arrangements; ▪ Impact on service users (general public); ▪ Core time hours; ▪ Information provided to staff; ▪ Feedback on arrangements; ▪ Monitoring of the effectiveness and efficiency of working arrangements; and ▪ Monitoring and reporting of costs/benefits.	Risk Based	February 2013	6	March 2013

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Leases	▪ Policies and procedures; ▪ Roles and responsibilities; ▪ Renewing leases; ▪ Monitoring expiry dates; and ▪ Management information and reporting.	Risk Based	June 2012	6	September 2012
Asset Management Plan	▪ Asset Management Strategy; ▪ Procedures and Responsibilities; ▪ Recording of Assets; ▪ Additions and write-offs; ▪ Physical verification; ▪ Security of assets; and ▪ Management information and management accounts.	Risk Based	November 2012	6	December 2012
Contract Management – Ground Tree Maintenance	▪ Policies and procedures; ▪ Risk assessments; ▪ Performance monitoring; ▪ Complaints and customer feedback; ▪ Quality inspections; ▪ Contract monitoring; ▪ Release of payments; and ▪ Management and reporting.	Risk Based	April 2012	7	June 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Elections	▪ Policies and procedures; ▪ Roles and responsibilities; ▪ Staff training; ▪ Legislative changes; ▪ Electoral register; ▪ Access to electoral database; ▪ Identification of postal voters; ▪ Election notifications; and ▪ Monitoring of election turnout.	Risk Based	April 2012	6	June 2012
Licensing	▪ Policies, procedures and regulations; ▪ License applications (Taxis and Alcohol); ▪ Granting and Issuing of Licenses; ▪ Scheme of delegation; ▪ Fees and Charges; ▪ Recording of Income; and ▪ Management reporting.	Risk Based	May 2012	6	June 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Assurance and Advisory Work to Address Specific Risks					
Green Waste Charges	▪ Policies and procedures; ▪ Risk Assessments; ▪ Control of stationery; ▪ Fees and Charges; ▪ Performance monitoring; and ▪ Management Information and Reporting.	Risk Based	December 2012	5	March 2013
Refuse Collection & Bulky Waste	▪ Procedures; ▪ Health and Safety; ▪ Risks assessments; ▪ Performance monitoring including missed bins; ▪ Customer complaints; ▪ Quality checks; and ▪ Management reporting.	Risk Based	October 2012	7	December 2012
Land Charges	▪ Policies, procedures and regulations; ▪ Land Charges Register – access and maintenance; ▪ Processing of applications; ▪ Fees and Charges; and ▪ Management Information and Reporting.	Risk Based	May 2012	4	June 2012

Audit	Overview of Internal Audit Coverage	Internal Audit Approach	Proposed Timing	Days	Target Governance & Audit Committee
Other Internal Audit Input					
Contingency	A contingency allocation will only to be used for unplanned and ad-hoc work and will be subject to prior approval by the Governance and Audit and Committee.	-	-	17	-
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	May 2012 August 2012 December 2012	12	June 2012 September 2012 March 2013
Management	This will include: ▪ Annual planning; ▪ Preparation for, and attendance at, Governance & Audit Committee meetings; ▪ Regular liaison and progress updates; ▪ Liaison with external audit; and ▪ Preparation of the annual internal audit opinion.	-	-	15	-
			Total Days	190	

RSM Tenon

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report (2011/12)

Governance and Audit Committee Meeting – 15th March 2012

Agenda Item 9

RSM Tenon

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1. INTRODUCTION

1.1 The periodic internal audit plan for 2011/12 was approved by the Governance and Audit Committee on the 17th March 2011. This report summarises the outcome of work completed to date against that plan, and Appendix A provides cumulative data in support of internal audit performance.

2. FINAL REPORTS ISSUED

2.1 We have finalised the remaining seven reports relating to the 2011/12 audit plan; these are in the areas of:

Disabled Facilities Grant; Building Control; Cash & Banking; Development Control; Corporate Governance; MOT Services and Follow Up 3.

2.2 The Follow Up 3 report is being presented to Members as a separate agenda items.

3. WORK IN PROGRESS OR PLANNED

3.1 All work in accordance with the 2011/12 Audit Plan has been completed.

4. FINDINGS FROM INTERNAL AUDIT WORK

4.1 We have raised 29 recommendations across the seven reviews that are being presented to this committee; two recommendations have been classified as High Risk; nine recommendations have been classified as Medium Risk and the remaining 18 recommendations have been classified as Low Risk. These include the recommendations in the Follow Up report to be discussed in further detail on a separate agenda item. All the recommendations made have been agreed by management.

4.2 An advisory Risk Maturity review was undertaken and a report has been issued to management; this review resulted in no recommendations being made. Our objective was to identify the level of maturity, measured against the risk matrix, through an assessment against components relating to Governance, Risk Identification, Risk Assessment, Risk Mitigation, Assurance and Monitoring. Although this was an advisory piece of work and does not result in any formal opinion; it should be noted that the outcome of this review will be taken into account when determining the Annual Opinion, provided by the Head of Internal Audit. The key findings show that the Council is achieving Risk Managed status and is performing well in line with other local authorities where we have undertaken this work.

4.3 Details of the key findings are shown in Appendix B for the reviews outlined in 2.1 (with the exception of the Follow up 3 report).

4.4 Appendix C shows those reports that have already been presented at previous Governance and Audit Committee meetings.

5. LIAISON WITH MANAGEMENT

5.1 Meetings are held with the Head of Finance, Finance Support Manager and the Governance & Risk Officer on a regular basis, as well as other senior management to discuss the progress of the internal audit work.

6. CHANGES TO OUR PLAN

6.1 At the request of management a contingency allocation of 17 days has been established and will be used for unplanned, ad hoc and advisory work; this allocation has been taken from the 196 days that was agreed at the Governance and Audit Committee in June 2011. The changes to the audit plan which have resulted in these contingency days are as follows:

- The Performance Management audit has been deferred to 2012/13 (6 days); due to changes in the Performance Indicator Framework;
- The Insurance audit days have been reduced from 8 days to 7 days;
- The budget for the Health & Safety review (10 days) has been moved to contingency to provide advice on Health and Safety matters;
- The Asset Management plan audit has been replaced with a review of Travel and Subsistence;
- The Carbon Reduction Programme audit (7 days) was undertaken as an advisory review and the findings will be presented to management; and
- The Supporting People review has been removed from the audit plan, as the Authority are in the process of carrying out a review of the service and working with the County Council on the proposals for the re-shaping of the older persons service. The 6 days for this review are now shown in the plan as being 'unallocated'.

Changes to the plan since last Governance & Audit Committee:

- *The Flexible Working review was deferred to 2012/13 (6 days) and the days have been used to undertake an advisory review of 'Housing Allocations for Persons with Housing Related Debt';*
- *IT Change Management (6 days) and ICT Strategy (6 days) were undertaken as advisory reviews and reports have been issued to management;*
- *An advisory review of Risk Maturity was undertaken and a report has been issued to management;*
- *An additional one day was agreed with management to finalise the work on the Carbon Reduction Programme; and*
- *For 2011/12 the total days are 196 of which 191 have been utilised, leaving 5 days unallocated.*

APPENDIX A: OPERATIONAL PLAN PERFORMANCE 2011/12 – CURRENT REPORTS

Detailed below is a summary of the work undertaken in 2011/12 to date, showing the levels of assurance given and the number of recommendations arising. Reports being considered at this Committee are shown in ***bold and italics***. Definitions with regard to the levels of assurance and the classification of recommendations are provided overleaf.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance & Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										High	Medium	Low	In Total	Agreed
Current Reports														
Disabled Facilities Grant	***17/10/11***	***24/10/11***	***07/11/11 06/12/11***	***14/12/11***	***14/12/11***	***March 2012***	***Risk Based***	***6***	***GREEN***	***0***	***0***	***3***	***3***	***3***
Building Control	***31/10/11***	***04/11/11***	***07/11/11***	***28/11/11***	***29/11/11***	***March 2012***	***Risk Based***	***6***	***GREEN***	***0***	***1***	***3***	***4***	***4***
Cash & Banking	***14/11/11***	***21/11/11***	***25/11/11***	***05/12/11***	***06/12/11***	***March 2012***	***Risk Based***	***6***	***GREEN***	***0***	***1***	***1***	***2***	***2***
Development Control	***28/11/11***	***02/12/12***	***06/12/12***	***23/01/12***	***23/01/12***	***March 2012***	***Risk Based***	***6***	***AMBER-GREEN***	***0***	***2***	***7***	***9***	***9***
Corporate Governance	***13/12/11***	***19/12/11***	***21/12/11***	***04/01/12***	***05/01/12***	***March 2012***	***Risk Based***	***5***	***GREEN***	***0***	***0***	***3***	***3***	***3***
MOT Services	***09/01/12***	***12/01/12***	***16/01/12***	***13/01/12***	***13/02/12***	***March 2012***	***Risk Based***	***6***	***GREEN***	***0***	***1***	***1***	***2***	***2***
Follow Up (3)*	***06/02/12***	***09/02/12***	***16/02/12***	***24/02/12***	***27/02/12***	***March 2012***	***Follow Up***	***4***	***ADEQUATE PROGRESS***	***2***	***4***	***0***	***6***	***6***
							Sub total	***(39)***		***2***	***9***	***18***	***29***	***29***

**The Follow Up (3) report is being presented as separate agenda item.*

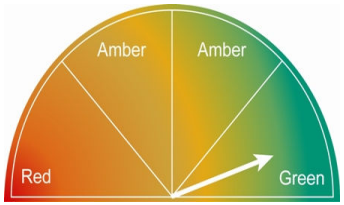
Recommendation Categorisation

Our findings and recommendations are categorised as follows:

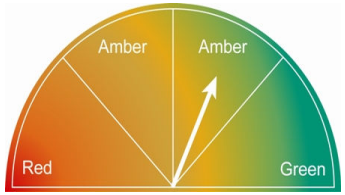
High (H): *action is imperative to ensure that the objectives for the area under review are met.*	**Medium (M):** *requires action to avoid exposure to significant risks in achieving the objectives for the area under review.*	**Low (L):** *action advised to enhance control or improve operational efficiency.*

ASSURANCE OPINIONS

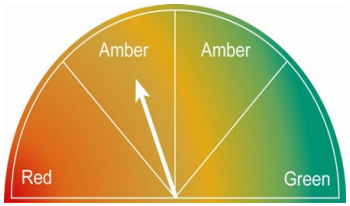
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



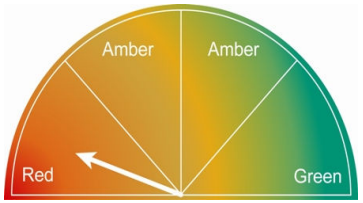
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.
However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.



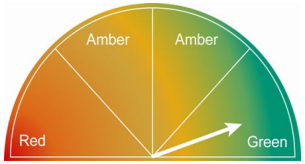
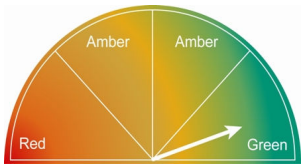
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

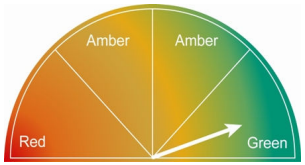
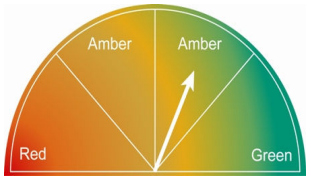


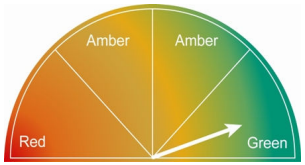
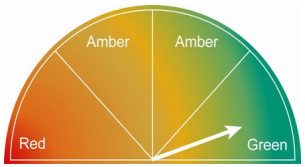
Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.
Action needs to be taken to ensure this risk is managed.

The Amber assurance level is split into two so that we are able to give you a clear indication of whether we consider the assurance to be "above or below the line". We hope this will help draw attention to those reports where we are highlighting that although not a negative opinion, the Authority does need to take action to ensure the risk is managed. Similarly the above the line amber opinion reflects that although a positive opinion, there is still room for improvement. During the year our progress reports to Governance & Audit Committee will reflect the opinions given and build up a picture of our findings so that there will be no surprises in our year end annual opinion.

APPENDIX B: REPORTS FINALISED – SUMMARY OF KEY FINDINGS

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Final Date for Impl. of All Recs	Responsible Officer (s)
Disabled Facilities Grant An audit of Disabled Facilities Grant was undertaken as part of the approved internal audit plan and resulted in three Low risk recommendations being raised; all of which were accepted by management.		3 (3)	0	December 2011	Service Manager – Housing Solutions DFG Project Team Leader
Building Control An audit of Building Control was undertaken as part of the approved internal audit plan and resulted in one Medium and three Low risk recommendations being raised; all of which were accepted by management. The medium recommendation was in relation to: ➢ Management should develop and introduce reporting on applications awaiting a decision and cases that are on-going but not completed, as these reports will facilitate monitoring to ensure that statutory time limits are adhered to and will ensure that completion certificates are issued as soon as works are completed.		4 (4)	0	March 2012	Building Control Manager ICT Manager

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Final Date for Impl. of All Recs	Responsible Officer (s)
Cash and Banking An audit of Cash and Banking was undertaken as part of the approved internal audit plan and resulted in one Medium and one Low risk recommendation being raised; both of which were accepted by management. The medium recommendation was in relation to: ➢ The list of users with access to the online banking system should be reviewed on a regular basis to ensure that it remains up-to-date. Former employees and staff who no longer require access to the system should be promptly removed from the system or have their access disabled.		2 (2)	0	January 2012	ICT Service Manager Finance Support Manager (Governance & Risk)
Development Control An audit of Development Control was undertaken as part of the approved internal audit plan and resulted in two Medium and seven Low risk recommendations being raised; all of which were accepted by management. The medium recommendations were in relation to: ➢ The Development Management Service Manager should ensure an appropriate procedure is implemented to evidence site visits. All site visit evidence should be signed and dated by the responsible Planning Officers and retained on file for a complete audit trail purpose. ➢ The Development Management Service Manager should ensure that the Validation Checklist is reviewed so that it is relevant and fit for purpose. This will improve the efficiency of processing each planning application.		9 (9)	0	April 2012	Head of Development & Growth Development Management Service Manager

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Final Date for Impl. of All Recs	Responsible Officer (s)
Corporate Governance An audit of Corporate Governance was undertaken as part of the approved internal audit plan and resulted in three Low risk recommendations being raised; all of which were accepted by management.		3 (3)	0	June 2012	Head of Legal & Democratic Services HR & OD Service Manager
MOT Services An audit of MOT Services was undertaken as part of the approved internal audit plan and resulted in one Medium and one Low risk recommendation being raised; both of which were accepted by management. The medium recommendation was in relation to: ➢ On a monthly basis the MOT Test Log report should be obtained from the VOSA VTS Device and reconciled back to Council records, the MOT Diary, the completed monthly MOT Test Sheet and receipted payments as per the Finance report ensuring that all MOTs performed can be accounted for. Any discrepancies should be investigated and resolved in a timely manner following month end. The MOT Test Log should be signed to certify that the reconciliation has been agreed, independently reviewed and then retained with other corresponding documentation.		2 (2)	0	February 2012	Business Support Team Leader

APPENDIX C: OPERATIONAL PLAN PERFORMANCE 2011/12 – PREVIOUS REPORTS

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance & Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										High	Medium	Low	In Total	Agreed
Previous Reports														
Travel and Subsistence	05/09/11	16/09/11	26/09/11	27/09/11	30/09/11	December 2011	Risk Based	6	AMBER GREEN	0	2	4	6	6
NNDR	12/09/11	15/09/11	26/09/11	13/10/11	13/10/11	December 2011	Risk Based	5	AMBER GREEN	1	1	3	5	5
Partnerships	26/09/11	30/09/11	12/10/11	21/10/11	24/10/11	December 2011	Risk Based	7	GREEN	0	0	1	1	1
Follow Up (2)	10/10/11	n/a	21/10/11	03/11/11	04/11/11	December 2011	Follow Up	4	GOOD PROGRESS	0	3	0	3	3
Council Tax	10/10/11	14/10/11	24/10/11	25/10/11	28/10/11	December 2011	Risk Based	5	GREEN	0	1	1	2	2
Markets	10/10/11	17/10/11	20/10/11	02/11/11	02/11/11	December 2011	Risk Based	6	GREEN	0	1	1	2	2
Payroll	24/10/11	28/10/11	09/11/11	09/11/11	10/11/11	December 2011	Risk Based	6	GREEN	0	0	4	4	4
Treasury Management	14/11/11	21/10/11	31/10/11	31/10/11	01/11/11	December 2011	Risk Based	6	GREEN	0	0	0	0	0
Insurance	23/05/11	27/05/11	3/6/2011	17/6/2011	21/6/2011	September 2011	Risk Based	7	AMBER GREEN	0	3	3	6	6
Retention & Redeployment	27/06/11	1/7/2011	19/7/2011	1/8/2011	1/8/2011	September 2011	Risk Based	6	GREEN	0	0	1	1	1
Housing Benefit	25/07/11	29/7/2011	5/8/2011	18/8/2011	18/8/2011	September 2011	Risk Based	8	AMBER GREEN	0	3	3	6	6
Budgetary Control & Setting	01/08/11	5/8/2011	9/8/2011	15/8/2011	15/8/2011	September 2011	Risk Based	6	GREEN	0	0	1	1	1
Follow Up	24/08/11	26/08/11	06/09/11	14/09/11	15/09/11	September 2011	Follow Up	4	ADEQUATE PROGRESS	1	5	0	6	6

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance & Audit Committee	Audit approach	Audit Days	Assurance level given	Number of Recommendations Made				
										High	Medium	Low	In Total	Agreed
Better Warmer Homes	11/04/11	15/04/11	27/04/11	11/05/11	12/05/11	June 2011	Risk Based	6	GREEN	0	1	2	3	3
Markets Follow Up	3/05/11	04/05/11	09/05/11	23/05/11	23/05/11	June 2011	Follow Up	2	REASONABLE PROGRESS	0	0	3	3	3
Contaminated Land	18/04/11	21/04/11	18/05/11	20/05/11	23/05/11	June 2011	Risk Based	6	GREEN	0	2	1	3	3
Advisory reviews	-	-	-	-	-	-	-	47	-	-	-	-	-	-
Management	-	-	-	-	-	-	-	15	-	-	-	-	-	-
							Sub total	***152***		***2***	***22***	***28***	***52***	***52***
							Total	***191***						

RSM Tenon

South Kesteven District Council

Follow Up of Previous Internal Audit Recommendations

Internal Audit Report (29.11/12)

February 2012

FINAL

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Debrief meeting:	09 February 2012	Auditors:	Chris Williams, Director Robert Barnett, Senior Manager Amjad Ali, Client Manager Alan Hetherington, Lead Internal Auditor
Officer Debriefed:	David Scott		
Draft report issued:	16 February 2012		
Responses received:	24 February 2012		
Final report issued:	27 February 2012	Client sponsor:	Richard Wyles, Head of Finance
		Distribution:	Richard Wyles, Head of Finance David Scott, Finance Support Manager Tracey Elliott, Governance and Risk Officer

This review has been performed using RSM Tenon's bespoke internal audit methodology, **i-RIS**.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of Members and senior management of South Kesteven District Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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1 EXECUTIVE SUMMARY

1.1 INTRODUCTION

As part of the approved internal audit periodic plan for 2011/12 we have undertaken a review to follow up progress made by South Kesteven District Council to implement previous internal audit recommendations. Recommendations with dates for implementation not yet due will be followed up later in the year.

This report incorporates the follow up of reports made in the transition period during which recommendation categories changed from 'Fundamental', 'Significant' and 'Merits Attention', to 'High', 'Medium' and 'Low'. As a consequence, a mixture of categorisations has been considered.

In section 3 Findings and Recommendations, all recommendations have been recorded using the original categorisation as stated in the issued report.

In Section 2 Action Plan, to ensure consistency with the current approach and to aid completion of the transition, all recommendations to be carried forward have been reviewed and reassessed using the new categorisations, 'High', 'Medium' or 'Low'.

At management's request, we have followed up those recommendations classified as Fundamental or High and Significant or Medium. Recommendations categorised as Merits Attention or Low are to be followed up separately by Council staff. It was also agreed that recommendations made in 'Advisory' reviews would not be followed up.

The following audits were considered as part of the follow up review:

- 29.10/11 Communication
- 33.10/11 Compliance with Information Security Policies
- 34.10/11 Follow Up (Debtors)
- 37.10/11 ICT Resilience
- 01.11/12 Grants for Better Warmer Homes
- 03.11/12 Pollution Control - Contaminated Land
- 04.11/12 Insurance
- 06.11/12 Housing Benefits

The following reviews had no recommendations meeting the criteria for follow up:

- 05.11/12 Retention and Redeployment
- 07.11/12 Budgetary Control and Budget Setting

The following Advisory reviews were excluded from the follow up:

- 08.11/12 Carbon Management

The 20 recommendations considered in this review comprised 3 'high', 16 'medium' and 1 'significant' recommendations.

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls in place.

1.2 CONCLUSION

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion South Kesteven District Council has demonstrated adequate progress in implementing actions agreed to address internal audit recommendations.

We have reiterated recommendations where these have not yet been implemented. In addition, we have made new recommendations where appropriate; these are detailed in the action plan.

1.3 LIMITATIONS TO THE SCOPE OF THE AUDIT

This review only covered audit recommendations previously made and did not review the whole control framework of the areas listed above. Therefore, we are not providing assurance on the entire risk and control framework of those areas.

The follow up has covered only those recommendations rated fundamental/high or significant/medium.

Where testing has been undertaken, our samples have been selected over the period since actions were implemented or controls enhanced.

Our work does not provide any guarantee or absolute assurance against material errors, loss or fraud.

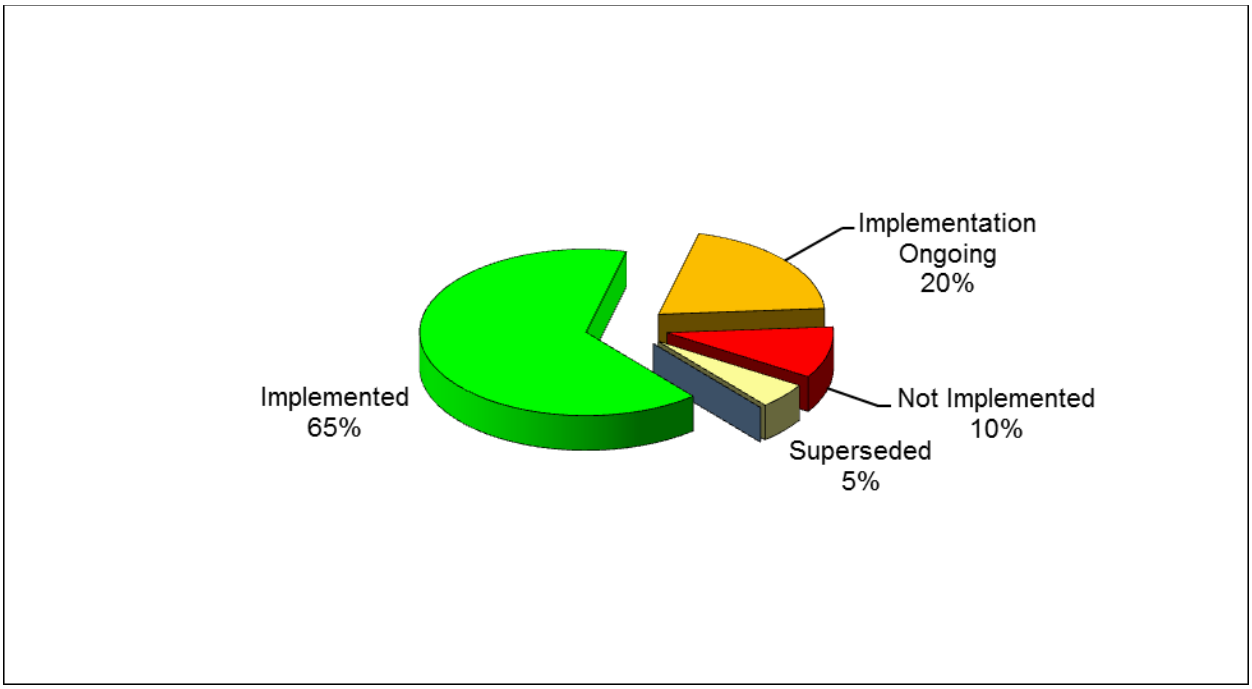
1.4 RECOMMENDATIONS TRACKING

Recommendation tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of recommendations made by assurance providers, whilst allowing the Governance and Audit Committee to monitor actions taken by management.

Recommendation tracking is undertaken by South Kesteven District Council's management on a regular basis, with an update provided to the Governance and Audit Committee at each meeting. As part of our Follow Up review, we have verified this information and completed audit testing to confirm the level of implementation stated and compliance with controls.

1.5 ADDITIONAL FEEDBACK

The pie chart below provides an overview of the status of recommendations that have been followed up as part of this review.



2 ACTION PLAN

The priority of the recommendations made is as follows:

Priority:	High	Medium	Low	Suggestion
Description:	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.			These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider.

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
3.1	**29.10/11 Communication**					
3.1.1	The Corporate Communications Strategy should be reviewed and updated on a periodic basis to reflect the Council's current aims and priorities. In addition performance against the strategy and action plan should be reviewed and reported to an appropriate committee on a periodic basis.	Medium	Y	The Strategy will be reviewed once the new service manager is in post.	June 2012	Reputation, Communication & Consultation Service Manager
3.2	**33.10/11 Compliance with Information Security Policies**					
3.2.1	All IT Security policies should be subject to regular approval by a relevant management committee.	High	Y	All policies have been formally reviewed February 2012. There is a clear documented procedure on how policies get renewed. All policies are on the intranet.	Implemented	ICT Service Manager

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
3.2.6	A procedure for third party access should be documented and appropriate approval should be recorded. A register of all approved third party access should be collated and maintained. Third parties with access to sensitive data should be required to agree to a non-disclosure agreement and third party contracts should be updated to include compliance with the Council's IT security policies.	High	Y	Where tenders take place, renegotiating of contracts compliance with ICT policies is included. Service managers have been reminded of this via email on 8th February. Examples of current procurement where this has been included are Election Software and also mobile working for repairs.	Implemented	ICT Service Manager
3.4	**37.10/11 ICT Resilience**					
3.4.1	The Disaster Recovery arrangements with the external support provider should be formally rehearsed on an annual basis and an appraisal of each test undertaken.	Medium	Y	A rehearsal is planned for July with the Disaster Recovery contractor. There is also a workshop planned to understand the practicalities of the engaging with the supplier in a full Disaster Recovery scenario.	August 2012	ICT Service Manager
3.7	**04.11/12 Insurance**					
3.7.1	The Waste & Recycling department should ensure that a copy of the accident claim form for all motor claims is retained on file along with any supporting evidence and correspondence received from the insurance provider.	Medium	Y	Full Documentation will be kept on file at Waste and Recycling Services.	Implemented	Waste & Recycling Service Manager

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
3.8	**06.11/12 Housing Benefits**					
3.8.2	The form used to request write-off of overpayment should be used in all cases. For LA Error overpayments, the request should be completed by the Benefits Assessors before being processed by the Team Co-ordinators/Benefits Manager within delegated limits.	Medium	Y	This is currently work in progress. It is not our intention to implement a paper-based "write-off" request process so we are working on an electronic solution utilising the Civica electronic document management system. A solution will be implemented now that the system issues have been resolved.	31 March 2012	Revenues & Benefits Service Manager

3 FINDINGS AND RECOMMENDATIONS

Each recommendation followed up has been categorised in line with the following:

Status	Detail
1	The entire recommendation has been fully implemented.
2	The recommendation has been partly though not yet fully implemented.
3	The recommendation has not been implemented.
4	The recommendation has been superseded and is no longer applicable.
5	The agreed date for implementing the recommendation has not yet been reached.

3.1	29.10/11 COMMUNICATION				FINDINGS	
	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.1.1	The Corporate Communications Strategy should be reviewed and updated on a periodic basis to reflect the Council's current aims and priorities. In addition performance against the strategy and action plan should be reviewed and reported to an appropriate committee on a periodic basis.	Medium	July 2011	Service Manager - Performance Consultation & Communications	3	Due to the Service Manager leaving, no progress has been made on the implementation of this recommendation. The new Service Manager will review the situation when he officially takes on the role in March 2012. Recommendation restated.

3.2	33.10/11 Compliance with Information Security Policies				Findings	
	Original Recommendation	**Original Category**	**Original Impl'n Date**	**Manager Responsible**	**Status**	**Comments / Implications / Recommendations**
3.2.1	All IT Security policies should be subject to regular approval by a relevant management committee.	High	April 2011	ICT Service Manager	2	Being implemented. An 'IT Policy Approval' document has been created which lists all the IT policies and identifies the responsibility levels for review and approval. However, the policies have not yet been reviewed in line with this document. Recommendation restated.
3.2.2	The automated policy software, Net Consent should be implemented to enable management to regularly review staff and councillors acceptance of the Information Security Policies.	Medium	Sept 2011	ICT Service Manager	1	The Net Consent system was observed to be in operation. Each Officer has a shortcut icon to the system on their computer screen to allow easy access to review policies.
3.2.3	Staff should receive information security training upon induction and regular refresher training.	Medium	June 2011	ICT Service Manager	1	The Net Consent system is being used to record staff reviewing and accepting policies. Acceptance is monitored, and staff have 30 days to accept IT policies. If they do not, their IT access is disabled.
3.2.4	The asset register should be updated to include the locations of all assets. If assets are re-located this information should be updated in the register. The software asset register should be regularly reviewed to determine compliance with actual licenses purchased.	Medium	August 2011	ICT Service Manager	1	LAN Sweeper software is used to identify assets attached to the Network. Reports can be obtained from the software listing assets and their locations. The LAN Sweeper software is also used for identifying the software installed on each PC/Laptop attached to the network.

3.2	33.10/11 Compliance with Information Security Policies				Findings	
	Original Recommendation	**Original Category**	**Original Impl'n Date**	**Manager Responsible**	**Status**	**Comments / Implications / Recommendations**
3.2.5	All password policies should be updated in line with the ISO 27002-2005 standard. A procedure should be implemented to ensure that IT are informed of all staff leavers so they can be removed from the network in a timely manner.	High	April 2011	ICT Service Manager	1	Password policies have been updated; each must be a minimum of 8 characters, and have 3 of the 4 in the following list: ▪ Upper case characters; ▪ Lower case characters; ▪ Numeric characters; and ▪ Special characters Procedures for managing users have been issued which include instructions and documents for informing IT of all staff who leave.
3.2.6	A procedure for third party access should be documented and appropriate approval should be recorded. A register of all approved third party access should be collated and maintained. Third parties with access to sensitive data should be required to agree to a non-disclosure agreement and third party contracts should be updated to include compliance with the Council's IT security policies.	High	June 2011	ICT Service Manager	2	Difficulty has been experienced in addressing this recommendation. It has been decided to make changes to how contracts are renewed/ retendered. Contracts currently out to tender include a requirement to agree to a non-disclosure agreement to comply with the Council's IT security policies. Recommendation restated, as contracts have not yet been agreed, and no register of access has been compiled.

3.2	33.10/11 Compliance with Information Security Policies				Findings	
	Original Recommendation	**Original Category**	**Original Impl'n Date**	**Manager Responsible**	**Status**	**Comments / Implications / Recommendations**
3.2.7	The Information Security policies should be updated to include a procedure for sending information of a sensitive, personal or commercial nature outside of the Council. A register of data transfers should be recorded to ensure that SKDC are aware of what and how data is sent from the Council, particularly bulk transfers.	Medium	June 2011	ICT Service Manager	1	There is a Cryptography Control Policy in place for staff to follow when transferring data. The ICT Service Manager has issued an email to staff reminding them of their responsibilities. It has been determined that as data transfers are undertaken from departments around the Council, it is not practical to introduce a register for data transfers, as this would involve IT scrutinising all information sent out of the Council.
3.2.8	The home working request forms should be retained securely. A procedure should be implemented for adhoc remote access requests and for Councillors. Councillors access to the network should be restricted as deemed appropriate.	Medium	August 2011	ICT Service Manager	4	The procedures for home working reviewed during the audit have been abandoned. A new process is being devised, which will need to be reviewed once implemented.

3.3	34.10/11 Follow Up (Debtors)				Findings	
	Original Recommendation	**Original Category**	**Original Impl'n Date**	**Manager Responsible**	**Status**	**Comments / Implications / Recommendations**
3.3.1	Exchequer Services should ensure that invoices are raised within a maximum of five working days after receipt of an authorised 'Authority to Raise Form'.	Significant	30.04.11	Finance Team Leader	1	The invoice raising process has been transferred from Exchequer to the Revenues & Benefits Collection Team, where there is additional resource for processing invoice requests. Invoices are now being raised in a timely manner.

3.4	37.10/11 ICT Resilience				Findings	
	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.4.1	The Disaster Recovery arrangements with the external support provider should be formally rehearsed on an annual basis and an appraisal of each test undertaken.	Medium	End Oct 2011	ICT Service Manager	2	The contract with Adam Continuity has been renewed, and includes provision 2 days rehearsal days. The current thinking is that rehearsals will take place in July and August 2012, but definitive dates have not yet been set. Recommendation restated.

3.5	01.11/12 Grants for Better Warmer Homes				Findings	
	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.5.1	Completion letters should only be issued when the final invoice is passed for payment.	Medium	May 2011	Service Manager Housing Solutions	1	Procedures have been revised; completion letters are now issued as part of the process for approving the final invoice for payment. Samples were obtained to confirm this.

3.6	03.11/12 Pollution Control - Contaminated Land				Findings	
	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.6.1	Unless additional staff resources are made available, it is unlikely that the Council will meet the target of completing inspections of all High and Medium risk sites of potential contaminated land by the July 2011 deadline. Similarly, the target of having completed all potential contaminated land surveys by January 2020 may not be achievable.	Medium	Partial implementation by end of June for high risk sites	Environmental Health Service Manager	1	The high risk sites were all reviewed by the end of June 2011.

3.6	03.11/12 Pollution Control - Contaminated Land				Findings	
	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.6.2	The Contaminated Land Register should be reviewed to identify and correct all those sites that have actually been investigated but have not been correctly cross referenced to survey results. The site, reference number 0289 should be visited and assessed as a priority.	Medium	Implemented	Environmental Health Service Manager	1	The contaminated land register has been reviewed, and site 0289 has been visited.

3.7	04.11/12 Insurance				Findings	
	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.7.1	The Waste & Recycling department should ensure that a copy of the accident claim form for all motor claims is retained on file along with any supporting evidence and correspondence received from the insurance provider.	Medium	June 2011	Street Scene Service Manager	2	The Waste and Recycling Services Team Leader has been nominated with responsibility for maintaining records of insurance claims. However, testing of a sample of five claims identified that for one, no information was on file. The other four all had sufficient information on file. Recommendation restated.
3.7.2	a) All motor claims should be submitted to the insurance provider within a timely manner and in line with Council guidelines. Requests for further information should also be responded to in a timely manner. b) A copy should be retained of the email providing evidence the claim being submitted to the insurance provider.	Medium	June 2011	Finance Support Manager	1	Testing of a sample of 5 claims identified that claims had been submitted in a timely manner, and that emails were retained.
3.7.3	Staff within service areas should be reminded that all claims should be sent to the central SKDC insurance mailbox when submitted to the insurance provider.	Medium	June 2011	Finance Support Manager	1	Testing of a sample of 5 claims identified that emails had been received by the central SKDC Insurance mailbox in a timely manner for each.

3.8	06.11/12 HOUSING BENEFITS				FINDINGS	
	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.8.1	On an annual basis, each member of staff should make a signed declaration identifying any family and friends claiming benefits. These declarations should then be used to prohibit access to the relevant accounts on the system.	Medium	September 2011	Benefits Manager (Revenues and Benefits Service)	1	Signed copies of declarations for all staff who access the Benefits system are held by the Benefits Manager (Revenues and Benefits Service). Access restrictions have been set up on the system in line with declarations made.
3.8.2	The form used to request write-off of overpayment should be used in all cases. For LA Error overpayments, the request should be completed by the Benefits Team Co-ordinators, before being processed by the Benefits Manager.	Medium	September 2011	Revenues and Benefits Service Manager	3	Discussions with Benefits staff identified that staff are aware that a change in process is planned, but as yet this has not been actioned. This was confirmed by looking up one of the latest LA Error write-offs, for which the only evidence was in the notes to the account, and no request form had been completed. It was explained that the procedure change had been delayed due to issues at year end. Recommendation restated, taking account of management comments.
3.8.3	The reconciliation between the Benefits system, the Rents system and the Creditors system should be completed on at least a monthly basis to ensure that benefits are correctly accounted for.	Medium	September 2011	Finance Support Manager (Finance and Risk)	1	Review of the spreadsheet used to record reconciliations identified that the reconciliation sheets were up to date for the end of December 2011.

APPENDIX A: DEFINITIONS FOR PROGRESS MADE

The following opinions are given on the progress made in implementing recommendations.

This opinion relates solely to the implementation of those recommendations followed up and not does not reflect an opinion on the entire control environment.

Progress in implementing recommendations	Overall number of recommendations fully implemented	Consideration of fundamental/high recommendations	Consideration of significant/medium recommendations	Consideration of merits attention/low recommendations
Good	75% +	None outstanding.	None outstanding.	All merits attention/low recommendations outstanding are in the process of being implemented.
Adequate	51 - 75%	None outstanding.	75% of significant/medium recommendations made are in the process of being implemented.	75% of merits attention/low recommendations made are in the process of being implemented.
Little	30 - 50%	All fundamental/high recommendations outstanding are in the process of being implemented.	50% of significant/medium recommendations made are in the process of being implemented.	50% of merits attention/low recommendations made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement fundamental/high recommendations.	Unsatisfactory progress has been made to implement significant/medium recommendations.	Unsatisfactory progress has been made to implement merits attention/low recommendations.

APPENDIX B: DATA TO SUPPORT OUR OPINION

IMPLEMENTATION STATUS BY REVIEW

Review	Total No. of recs agreed.	Status of Recommendation					Audit work confirmed as completed or no longer necessary	No of recs carried forward for follow up at next review
		Not due for implementation	Implemented	Implementation Ongoing	Not Implemented	Superseded		
		(5)	(1)	(2)	(3)	(4)	(1)+(4)	(2)+(3)+(5)
29.10/11 Communication	1	0	0	0	1	0	0	1
33.10/11 Compliance with Info Security Policies	8	0	5	2	0	1	6	2
34.10/11 Follow Up (Debtors)	1	0	1	0	0	0	1	0
37.10/11 ICT Resilience	1	0	0	1	0	0	0	1
01.11/12 Grants for Better Warmer Homes	1	0	1	0	0	0	1	0
03.11/12 Contaminated Land	2	0	2	0	0	0	2	0
04.11/12 Insurance	3	0	2	1	0	0	2	1
06.11/12 Housing Benefits	3	0	2	0	1	0	2	1
Total	**20** **100%**	**0** **0%**	**13** **65%**	**4** **20%**	**2** **10%**	**1** **5%**	**14** **70%**	**6** **30%**

IMPLEMENTATION STATUS OF RECOMMENDATIONS BY CATEGORY

Review	Total No. of recs agreed.	Status of Recommendation					Audit work confirmed as completed or no longer necessary	No of recs carried forward for follow up at next review
		Not due for implementation	Implemented	Implementation Ongoing	Not Implemented	Superseded		
		(5)	(1)	(2)	(3)	(4)	(1)+(4)	(2)+(3)+(5)
High	3	0	1	2	0	0	1	2
Medium	16	0	11	2	2	1	12	4
Significant	1	0	1	0	0	0	1	0
Total	**20**	**0**	**13**	**4**	**2**	**1**	**14**	**6**
	100%	**0%**	**65%**	**20%**	**10%**	**5%**	**70%**	**30%**

APPENDIX C: REVIEW OF COMPLETENESS

2010/11 REPORTS FOLLOWED UP

Review	Total Number of Agreed Recommendations	Follow Up Report Reference	Number of Recommendations Followed Up
01.10/11 CCTV	2	09.11/12	0*
02.10/11 Section 106	5	09.11/12	3*
03.10/11 MOT Services (Project Phase) & Depot Fuel	3	26.11/12	3
04.10/11 Homelessness	4	09.11/12	1*
05.10/11 Food Safety and Enforcement	2	09.11/12	1*
06.10/11 Officer Expenses	3	09.11/12	1*
07.10/11 Anti-Fraud Policies Review	15	09.11/12	0 (Advisory)
08.10/11 Car Parks	6	09.11/12	2*
09.10/11 Responsive Repairs / Planned & Cyclical Maintenance	5	09.11/12	4*
10.10/11 Recycling	2	09.11/12	0*
11.10/11 Follow Up (excluding Fees & Charges)	15	34.10/11	15
11.10/11 Follow Up (Fees & Charges)	5	09.11/12	4*
12.10/11 Treasury Management	2	17.11/12	2
13.10/11 Leisure Management Contract - Advisory	2	09.11/12	0 (Advisory)
14.10/11 Debtors	5	15.11/12	3*
15.10/11 Follow Up (Report 2)	7	34.10/11	7
16.10/11 Creditors and E-Procurement	2	15.11/12	2
17.10/11 Partnerships	10	12.11/12	10
18.10/11 General Ledger	3	15.11/12	1*
19.10/11 Council Tax	3	16.11/12	3
20.10/11 Cash & Banking (Area Offices and Public Conveniences)	9	28.10/11	9
21.10/11 Markets	8	02.11/12	8
22.10/11 Democracy	0	15.11/12	N/A
23.10/11 Licensing Income	4	15.11/12	2*
24.10/11 Data Protection	5	15.11/12	1*
25.10/11 Planning and Building Control Fees	4	15.11/12	0*
26.10/11 Corporate Governance	4	25.11/12	4
27.10/11 Anite Housing Management System	3	15.11/12	0*

* As per the agreement with management, only those recommendations categorised as Fundamental, High, Significant and Medium have been followed up. Merits Attention and Low recommendations will be followed up as part of the Council's internal recommendation tracking process.

Recommendation(s) to be followed up as part of the review of the audit area included in the Internal Audit Strategic Plan for 2011/12.

Review	Total Number of Agreed Recommendations	Follow Up Report Reference	Number of Recommendations Followed Up
28.10/11 Follow Up - Cash & Banking (Area Offices and Public Conveniences)	4	15.11/12	3*
29.10/11 Communication	2	This Review	1*
30.10/11 Events	7	15.11/12	3*
31.10/11 Training and Development - Advisory	14	15.11/12	7*
32.10/11 Medium Term Financial Strategy	1	15.11/12	0*
33.10/11 Compliance with Information Security Policies	9	This Review	8*
34.10/11 Follow Up (Excluding Debtors)	38	15.11/12	10*
34.10/11 Follow Up (Debtors)	2	This Review	1*
35.10/11 Lettings	1	15.11/12	0*
36.10/11 Development Control	1	23.11/12	1
37.10/11 ICT Resilience	5	This Review	1*

2011/12 REPORTS FOLLOWED UP

Review	Total Number of Agreed Recommendations	Follow Up Report Reference	Number of Recommendations Followed Up
01.11/12 Grants for Better Warmer Homes	3	This Review	1*
02.11/12 Follow Up - Markets	3	13.11/12	3
03.11/12 Pollution Control - Contaminated Land	3	This Review	2*
04.11/12 Insurance	6	This Review	3*
05.11/12 Retention and Redeployment	1	This Review	0*
06.11/12 Housing Benefits	6	This Review	3*
07.11/12 Budgetary Control and Budget Setting	1	This Review	0*
08.11/12 Carbon Management	5	This Review	0 (Advisory)

* As per the agreement with management, only those recommendations categorised as Fundamental, High, Significant and Medium have been followed up. Merits Attention and Low recommendations will be followed up as part of the Council's internal recommendation tracking process.

Recommendation(s) to be followed up as part of the review of the audit area included in the Internal Audit Strategic Plan for 2011/12.

2011/12 REPORTS YET TO BE FOLLOWED UP

Review	Total Number of Agreed Recommendations	Follow Up Report Reference	Number of Recommendations To Be Followed Up
09.11/12 Follow Up (August 2011)	6	N/A	6
10.11/12 Officer Travel & Subsistence	6	N/A	2*
11.11/12 NNDR	5	N/A	2*
12.11/12 Partnerships	1	N/A	0*
13.11/12 Markets	2	N/A	1*
14.11/12 Health & Safety	11	N/A	0 (Advisory)
15.11/12 Follow Up (October 2011)	3	N/A	3
16.11/12 Council Tax	2	N/A	1*
17.11/12 Treasury Management	0	N/A	0
18.11/12 Disabled Facilities Grants	3	N/A	0*
19.11/12 Building Control	4	N/A	1*
20.11/12 Payroll	4	N/A	0*
21.11/12 Cash & Banking	2	N/A	1*
22.11/12 Change Management	8	N/A	0 (Advisory)
23.11/12 Development Control	9	N/A	9
24.11/12 Housing Allocations	2	N/A	0 (Advisory)
25.11/12 Corporate Governance	3	N/A	0*
26.11/12 MOT Service	2	N/A	1*
27.11/12 ICT Strategy	2	N/A	0 (Advisory)
28.11/12 Risk Maturity	0	N/A	0

* As per the agreement with management, only those recommendations categorised as Fundamental, High, Significant and Medium have been followed up. Merits Attention and Low recommendations will be followed up as part of the Council's internal recommendation tracking process.

Recommendation(s) to be followed up as part of the review of the audit area included in the Internal Audit Strategic Plan for 2011/12.

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF188

DATE: 15 March 2012

TITLE:	**Governance and Risk Management Update**	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Resources & Assets Portfolio Holder	
CONTACT OFFICER:	David Scott Finance Support Manager (Finance and Risk) d.scott@southkesteven.gov.uk Tel: (01476) 406218	
INITIAL IMPACT ASSESSMENT: **Equality and Diversity**	Carried out and Referred to in paragraph (7) below: N/A	Full impact assessment Required: No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	HOF154 – Risk Management Annual Report and Strategy Update, HOF167 – Risk Management Update (including roadmap) and HOF155 – Counter Fraud, Bribery and Corruption Framework	

1. RECOMMENDATION

The Governance & Audit Committee is requested to:

i) note the contents of this report
ii) Approve the updated Risk Management Improvement Plan Actions
iii) Approve the wording insertion to the Counter Fraud, Bribery and Corruption Framework

2. PURPOSE OF THE REPORT

The committee is charged with monitoring the risk management framework and arrangements on behalf of the Council and at the meeting held on 29th September 2011 approved the Risk Management Improvement Plan. At the December meeting of the committee it was agreed an update on the actions outlined in the improvement plan would be provided at this meeting.

Alongside this the Committee is also responsible for Governance including Counter Fraud with an updated Framework being approved in March 2011. Following a recent assessment on Section 11 compliance with the Children Act 2004 a minor amendment to the Counter Fraud, Bribery and Corruption framework is being proposed.

3. DETAILS OF REPORT

In order to ensure the council continues to improve and develop risk management across the authority an updated Risk Management Improvement Plan was approved in September 2011 to ensure the continued delivery of effective risk management within the Council. This improvement plan included the development of a Risk Management Development roadmap which outlined a set of key activities to be completed over the next 12 months that would add value to the existing risk management arrangements of the Council. The activities outlined in the road map focus on enabling the Council to make better use of its existing risk management intelligence and therefore assist with understanding the implications to the Council as well as contribute to more informed decision making.

An updated Risk Management Improvement Plan is included in Appendix A which summarises the progress made to date with further details on what has been achieved is outlined below.

<u>Maintaining the Service Risk Profile</u>

As outlined in section one of the improvement plan a refresh exercise on the service risk register was undertaken with service managers in December 2011. This focused on service areas taking their current risk registers and assessing if:

a) All the previous risks identified were still relevant
b) How well are these risks being managed and what controls we had in place
c) Are there any emerging risks that needed to be included

The review focused on ‘exceptional risks’ which are those scored as high and also covered the most important ‘business as usual’ risks. The updated service risk register was presented to the Risk Management Group in January 2012 for peer challenge to ensure the scoring and weighting was in line with other areas. These risks have then been incorporated in the service planning process for 2012/13 and will be managed through the Council’s corporate risk management system.

Another of the development areas identified in the improvement plan was to ensure a greater emphasis was placed on the risk commentary within committee reports. Currently, there is a risk section within the reports. This does not adequately show risk assessment and mitigation of risk. Therefore, we are looking to establish a more formal approach and provide guidance to managers on how to make the best use of the risk section in order to ensure members have the access to the relevant risk information where required. This will ensure all decisions are made on a fully informed basis.

The outline of the suggested approach to this which focuses on exceptional risks being included in the report under specific risk categories such as financial, reputation etc and would cover:

- Brief overview of what the risk is
- Risk score
- Outline of the action plan in place / required to manage the risk

This has been considered by Management Team who support the approach and the aim is to implement in the early part of the new financial year.

Risk Measuring, Reporting and Monitoring

As part of the risk register analysis the use of risk categorisation has been further developed in line with the Risk Management Strategy to assist with identifying risk interdependency. This can assist with improving the robustness of actions being taken to manage risks and where there are similar category type risks, these can be managed together more effectively. This has been incorporated in both the recent service and corporate risk register reviews with risk categories covering:

- Strategic risk
- Operational risk
- Regulatory risk
- Financial risk
- Reputational risk
- Information & data quality risk
- People & management risk
- Health & safety risk
- Legal Risk

Another development around the risk registers was to introduce the use of heat-map reporting which helps to give an overview of where risks sit in the scoring matrix in a user friendly way to supplement the more detailed risk registers. The corporate risk heat map was presented to the committee for the first time at its meeting in December 2011 and was well received.

Alongside the corporate and service risk registers the Council has other types of risk namely; Project, Health & Safety and Partnerships. In order to ensure the Council can effectively manage these and understand how the risks are monitored, an exercise has been undertaken to review how they feed into the risk management framework. This has helped to clarify where the above types of risk are being reported and monitored which in summary are:

Type of Risk	Where and how are these monitored
Project risks	The exceptional risks will be captured / managed through the Councils corporate risk management system and reported to the Performance and Programme Board as part of the new project management methodology. All other risks will be captured on the project risk log and managed as part of the project delivery process.
Health and Safety risks	These will also be captured and included on the corporate risk management system and discussed at the health and safety meetings which correlate with the Risk management group.
Partnership risks	There is a partnership register for all the significant partnerships the Council engages in and this will capture the relevant risks. These will then be reported into the risk management group.

One of the other areas identified to assist the Council is ensuring risks are joined up to service delivery and Council objectives by undertaking a risk triangulation / risk mapping process. The triangulation would take the Council priorities, risk (whether project, corporate etc) and performance indicators to fully understand the how the delivery of priorities are achieved and provide an early warning system if something is falling short of expected targets. Alongside this, mapping each corporate risk against a priority to aid the understanding of the correlation between each risk and priority project.

The improvement plan identified this exercise to be undertaken during quarter 4 of 2011/12 however, in light of the updated priority plans being reviewed by Council at its meeting in March, it is proposed to delay this until quarter 1 of 2012/13. This will also link into the review of the performance indicators as part of the service planning process for 2012/13 to ensure the triangulation / mapping exercise are undertaken on the latest information available.

Corporate Risk Intelligence and Prioritisation

A key activity of the improvement plan was to undertake a refresh of the Corporate Risk Register in conjunction with a number of other tasks outlined in the plan in order to support the review. The Corporate Risk Register was updated in conjunction with Heads of Services in order to refresh existing risks and ensure they remain relevant and review any actions being taken. Alongside this horizon scanning of future developments and emerging risks were also undertaken and considered by Management team.

In terms of the other actions completed whilst undertaking this review; these were:

- Making use of bespoke risk categories such as economic, reputational, legislative in order to help group risks into areas which may have interdependencies in line with the Risk Management Strategy categorisation of risks.
- Apply weighting to the Corporate Risks in order to identify the most significant risks that may impact on the Council delivering against its priorities.

The resulting Corporate Risk Register was then presented to the Governance and Audit Committee at its meeting in December 2011 and as highlighted earlier in the report was supplemented with a heat-map for overall risk reporting.

Benchmarking

As part of the corporate risk register review the Council also took into consideration benchmarking risks against other local authorities that may be relevant to South Kesteven. The review showed the Council is well positioned in its risk management and appears to have captured all the main risk areas when compared to others. It did assist with providing some more detailed information on risk actions for common categories which have been shared with service areas.

Risk Management Conclusion

Overall the majority of the Risk Management Improvement Plan has been delivered with the exception of two main areas; Risk section on committee reports and triangulation of priorities, performance and risk (including risk links with priority projects). As outlined above there is a clear rationale of where the Council is in developing these areas with timelines in place for implementation of them.

An Internal Audit has also been undertaken on Risk Management which has taken into account all aspects of how the Council manages risk including the areas outlined in the risk management improvement plan. A positive conclusion was given overall on how the Council is managing risk effectively and reflects the resource and focus allocated to this area over the past year.

Once the final two areas of the improvement plan have been delivered the anticipation is not to devise another improvement plan in light of the good progress made and supported by Internal Audit. The focus should be on maintaining the building blocks put in place.

Counter Fraud, Corruption and Bribery Framework

There has been a recent assessment by the Lincolnshire Safeguarding Children's Board (LSCB) relating to Section 11 compliance with the Children Act 2004. As part of this assessment they reviewed the Councils Whistle Blowing Policy and as a result have suggested some additional wording is included in the policy around safeguarding. These changes will ensure the Council is compliant with the LSCB guidance which expects the Council has effective whistle blowing and allegation policies and systems in place for professionals and service users, which are compatible with LSCB Procedure and Guidance.

Therefore, it is proposed to update the Whistle Blowing Policy contained with the councils Counter Fraud, Bribery and Corruption Framework as outlined in Appendix B with the appropriate wording to comply with the LSCB guidance. This will ensure the council can positively respond to the LSCB on their suggested action and acknowledge this has been complete as part of their follow up review.

4. OTHER OPTIONS CONSIDERED

None

5. RESOURCE IMPLICATIONS

This report has no direct impact on the Council's resources, including finance/ budget, people, land/property etc.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

Risks have been considered as part of this report of which there are no high level risks associated with this.

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None

8. CRIME AND DISORDER IMPLICATIONS

None

9. COMMENT OF FINANCIAL SERVICES

In accordance with the terms of reference, the Governance and Audit Committee are kept fully informed of current developments in risk management.

10. COMMENT OF LEGAL AND DEMOCRATIC SERVICES

Members of the Committee are responsible on behalf of the Council for monitoring actions taken by Cabinet and Management Team to identify corporate business risks and assess whether they are being effectively managed. It is essential they are kept up to date with details of the risks and how they have been mitigated.

The terms of reference of the Governance and Audit Committee include approval of the Counter Fraud, Bribery and Corruption Framework on behalf of the Council.

11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER

None

12. APPENDICES:

Appendix A – Risk Management Improvement Plan – March 2012
Appendix B – Counter Fraud, Corruption and Bribery Framework Update

APPENDIX B – Counter Fraud, Bribery and Corruption Framework Update

Annex 2 - Whistle Blowing Policy

Safeguarding of Children

If a complaint or allegation is made against a member of staff, elected Member or any other volunteer person working on behalf of the Council which relates to the safeguarding of children, the matter should be referred initially to the Council's Designated Safeguarding Officer. The complaint/allegation will be investigated by the appropriate authority – Children's Social Care (Social Services) and/or the Police. The complaint or allegation will also be referred to the Local Authority Designated Officer (LADO) within the Lincolnshire Safeguarding Children Board as per the procedures set out in the Council's Safeguarding Children Policy.

If any complaint or allegation is substantiated and the person is dismissed, resigns or ceases to provide his/her services or the Council ceases to use the person's services the Service Manager for Human Resources and Organisational Development will refer the allegation details directly to the Independent Safeguarding Authority (ISA).

Appendix A - South Kesteven District Council: Risk Management Improvement Plan – Update March 2012

	Current Status	*Qtr 3*	*Qtr 4*	*Qtr 1 (2012)*
1. Maintaining the Service Risk Profile				
1.1 Service risk profile - refresh exercise. Repeat exercise completed in early 2011 to maintain up to-date risk profile, continuing with the rule of capturing only exceptional risks rather than business as usual. In preparation guidance will be issued alerting managers to potential areas of emerging risk for consideration as part of the refresh. (Consideration also needs to be given at this stage to the risks identified in committee reports and whether these are being suitably captured – see 1.2).	**Complete**	**Dec**		
1.2 Committee reports – Risk assessment. Review the risk reporting process in committee reports .which could include an overall risk rating i.e. N/A, Low, Medium, High with a commentary of the associated risk and mitigation. These can then be monitored as part of on-going responsibilities, with exceptional risks being more formally captured via the service risk refresh and reporting.	**On track**			**April / May**

	Current Status	*Qtr 3*	*Qtr 4*	*Qtr 1 (2012)*
2. Risk Measuring, Reporting and Monitoring				
2.1 Make use of bespoke set of risk categories that are particular to the Council and its priorities or challenges. All risks will be categorised. The categories will help assist in identifying risk interdependency and therefore improve the robustness of actions being taken. Thus related risks are considered as a group and therefore action planning is more informed and effective, rather than on an individual risk / transaction basis which makes "tackling" more difficult.	**Complete**	**Nov**		
2.2 Map (using appropriate weighting) corporate risks with the Council priorities. This will assist the Council with understanding the correlation between each risk and each priority project. Thus the Council will know which risk (if realised) would have the greatest impact on the Council priorities. Note: a similar exercise should also be completed in connection with the service risks. Thus providing understanding of alignment and correlation with Council priorities.	**Ongoing – linked to 2.5 action** **Complete**	**Nov**		**April / May**
2.3 Make use of a heat-map for overall risk reporting to supplement corporate and service risk registers.	**Complete**		**Jan to Feb**	
2.4 Document the process which identifies how partnership, project and health & safety risk feeds into the risk management framework. (Note: This is currently being progressed by the Risk Management Group.)	**Ongoing – linked to new priorities (sign off March Council) and PI's for 2012/13**			**June**
2.5 Triangulate Objectives, Risk and Key Performance				

	Current Status	*Qtr 3*	*Qtr 4*	*Qtr 1 (2012)*
Indicators. Therefore providing a mechanism through which the Council is better placed to understand the delivery of Council priorities. This could be illustrated through a combined risk & performance, controls & assurance dashboard which provides for an overall picture of risk and performance relating to each objective and key activity of the Council.				
3. Corporate Risk Intelligence and Prioritisation				
3.1 Refresh corporate risk register to ensure it reflects current significant risks faced by the Council as a whole and as part of this process determine and identify which risks are exceptional and which are business as usual. The Council may wish to consider whether it focuses its attention on a set of strategic risks as part of this process. The strategic risks being those risks that will affect the longer term planning of the Council i.e. next 3 years.	**Complete**	**Dec**		**June**
3.2 Ensure sufficient detail is presented in the corporate register, including that: • Risks are suitably described so that their meaning and implications are clear. • Existing controls are included and suitably detailed. • Actions are reviewed to ensure they have a deadline and action owner. • Actions currently marked as ongoing are reviewed to see if they are actually existing controls. Note: Completion of the above will assist the Council in differentiating between those risks of which further action is required and those over which assurance will be required.	**Complete**	**Dec**		

	Current Status	*Qtr 3*	*Qtr 4*	*Qtr 1 (2012)*
4. Benchmarking				
4.1 Complete benchmarking of risks with other similar sized local authorities / geographically placed i.e. Lincolnshire councils. The aim being to establish whether there are any common risk which in deed could lead to inter-authority mitigation.	**Complete**	**Nov**		

REPORT TO GOVERNANCE & AUDIT COMMITTEE

REPORT OF: Head of Finance

REPORT NO: HOF 191

DATE: 15th March 2012

TITLE:	UNDERLYING ASSUMPTIONS TO BE USED TO CALCULATE IAS19 PENSION FIGURES IN 2011/12 STATEMENT OF ACCOUNTS	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Assets and Resources Portfolio Holder	
CONTACT OFFICER:	Nicky Lovely, Finance Support Manager (Accountancy) n.lovely@southkesteven.gov.uk Telephone 01476 406208	
INITIAL IMPACT ASSESSMENT: **Equality and Diversity**	N/A	Full impact assessment Required: N/A
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Local Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	None	

1. RECOMMENDATION

1.1 It is recommended that Governance & Audit Committee approve the IAS19 (International Accounting Standard 19) assumptions to be used in the production of the 2011-12 Statement of Accounts.

2. PURPOSE OF THE REPORT

2.1 The purpose of this report is to allow the Committee to consider the assumptions the pension fund actuary proposes to use in preparing the IAS 19 figures to be reported in the annual Statement of Accounts. It is an audit requirement that those charged with governance have the chance to consider these assumptions.

3. BACKGROUND

3.1 IAS19 - Employee Benefits is one of the financial reporting standards with which we must comply when producing our annual Statement of Accounts.

3.2 The basic requirement of IAS19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.

3.3 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.

3.4 SKDC will use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Lincolnshire County Council Pension Fund and the administering authority (Lincolnshire County Council), in preparing the annual Statement of Accounts.

3.5 A formal actuarial valuation is carried out every three years, the last being as at 31st March 2010. The figures produced for 31st March 2012 are estimates based on the last full actuarial valuation rolled forward and allowing for any change in the underlying assumptions.

3.6 <u>Financial Assumptions for 2011-12</u>

Price Inflation – this allows for the effect of inflation on salary growth. At 31st December 2011 this was 3.1%. (At 31st March 2011 it was 3.0%).

Pension Increase Rate –Public sector pension increases are now linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). In the current economic climate it is difficult to predict what rates will apply at 31st March 2012. At 31st December 2011 CPI was 4.2%, (31st March 2011 2.8%).

Salary Increase Rate – reflects the expected rate of growth in pensionable pay, allowing for increases over and above inflation, eg career progression. Due to the public sector pay restrictions put in place by the Government in summer 2010 this will be restricted to 1% until 2015. (At 31st March 2011 it was 1%). After 2015 the rate will revert to RPI plus 1% or 1.5% plus an allowance for promotional salary increases. Based on market conditions as at 31st December 2011, in 2015 this would be 4.1% or 4.6%, plus an allowance for promotional salary increases.

Expected Return on Assets – This reflects the interest earned and changes in values of the investments within the scheme and will be based on market values as at 31st March 2012. (At 31st March 2011 it was 7.5%). At 31st December 2011, the expected return on equities was 6.1% per annum

Discount Rate – this allows for the effect of inflation on the liabilities in the scheme. The assumption as at 31st December 2011 was 5.2%, (down from 5.5% at 31st March 2011).

All the calculations will be reviewed by the Actuary as at 31st March 2012 to confirm that there have been no material changes to the rates to be used over the three months since December, and to calculate final figures.

3.7 Demographic Assumptions

Pensioner Mortality – this impacts on the length of time pensions are expected to be payable. For the 2011/12 accounts the mortality assumptions are to be based on the same analysis used in 2010/11. At the present time, the life expectancy figures are not available, but will be calculated as at 31 March 2012.

Commutation – this allows for the effect of future retirees choosing to take a larger initial lump sum and reduced annual pension. As at 31st March 2011 the assumptions were 25% of members who joined the scheme prior to 1st April 2008 and 63% of members who joined since that date. These ratios are not expected to change for the 2011/12 accounts.

Other demographic assumptions are used e.g. Rates of withdrawal from the scheme, number of ill-health early retirements etc. These assumptions are based on past experience and will not change from those used in 2010/11.

3.8 Financial Impact

Appendix A shows the rates used as at 31st March 2011, the rates as at 31st December 2011, the direction of the movement to date and the impact of each of those movements on the Council's accounts.

The effect of the expected increase in the assumed inflation rate is likely to be a higher charge in the Council's Comprehensive Income & Expenditure Statement for the cost of future pensions. The charge for 2010-11 was £2.217 million.

The expected increase in pensions would lead to an increase in the liability on the balance sheet.

An decrease in the expected return on assets would also have a negative impact causing the pension liability on the balance sheet to increase from £22.549 million.

The reduction in the discount rate used to calculate the value of the liabilities will have the opposite effect of reducing the liability held in the balance sheet.

It is therefore possible that in the 2011/12 financial accounts, the annual charge made within the accounts will be higher than in 2010/11 and the liability on the balance sheet will increase. However, market conditions at 31st March 2012 could change dramatically and the impact on the accounts is therefore far from certain.

4. OTHER OPTIONS CONSIDERED

None.

5. RESOURCE IMPLICATIONS

All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers contributions and not the charge calculated in accordance with IAS19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern..

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None.

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None.

8. CRIME AND DISORDER IMPLICATIONS

None.

9. COMMENTS OF FINANCIAL SERVICES

Prior to the compilation of the statement of accounts for 2011/12 it is important that members of Governance and Audit Committee have the opportunity to discuss and comment on the underlying financial assumptions made by the actuary in respect of the Council pension fund. These assumptions, if agreed, will have an impact on both the comprehensive income and expenditure account and the balance sheet for the financial year 2011/12.

10. COMMENTS OF LEGAL & DEMOCRATIC SERVICES

Assumptions will be subjective. They are a forecast of what might happen within the year.

11. APPENDICES:

Appendix A - Financial Assumptions

APPENDIX A

IAS 19 ASSUMPTIONS FOR 2011/12 STATEMENT OF ACCOUNTS

Financial Assumptions	**Rate As At 31/03/11 (%)**	**Rate as at 31/12/11 (%)**	**Movement**	**Financial Impact**
Price Inflation	3.0	3.1	↓	Increase in charge for cost of future pensions
Pension Increase Rate	2.8	4.2	↓	Increase in liabilities
Salary Increase Rate	1.0	1.0	0	No change
Expected Return on Assets	7.5	6.1	↑	Increase in liabilities
Discount Rate	5.5	5.2	↓	Reduction in liabilities

REPORT TO GOVERNANCE AND AUDIT COMMITTEE

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF 190

DATE: 15th March 2012

TITLE:	Statement of Accounting Policies 2011/12	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Assets and Resources Portfolio Holder	
CONTACT OFFICER:	Nicky Lovely Finance Support Manager (Accountancy) n.lovely@southkesteven.gov.uk Telephone (01476) 406208	
INITIAL IMPACT ASSESSMENT: **Equality and Diversity**	Carried out and Referred to in paragraph (7) below: N/A	Full impact assessment Required: No
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Local Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS		

1. RECOMMENDATION

It is recommended that Governance & Audit Committee approve the Statement of Accounting Policies to be used in the production of the 2011/12 financial statements.

2. PURPOSE OF THE REPORT

The purpose of this report is to update the Committee on the Accounting Policies to be utilised in the preparation of the annual Statement of Accounts for 2011/12.

There is one new accounting policy relating to Heritage Assets. All other policies have been reviewed and revised where necessary to give more clarity.

When changes are made to the policies, it is a requirement that these are reported to those charged with governance.

3. BACKGROUND

The 2011/12 Statement of Accounts will summarise the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. It will be prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011-12* (The Code) which is based on International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets.

There is one new accounting policy to be applied to the preparation of the 2011/12 financial statements. This relates to Heritage Assets. Heritage assets are required to be included in the Statement of Accounts by FRS 30 (Financial Reporting Standard 30), which has been adopted for the 2011/12 financial year. The policy defines the criteria used to identify heritage assets, to assess the value to be included in the financial statements and the accounting treatments used.

All other accounting policies have been reviewed for the 2011/2012 financial year to ensure that they comply with The Code, that they accurately reflect the transactions that have occurred and that they have been applied consistently. Appendix A outlines the full set of accounting policies to be applied in the statement of accounts preparation.

4. OTHER OPTIONS CONSIDERED

None.

5. RESOURCE IMPLICATIONS

None.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None identified at this stage.

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None.

8. CRIME AND DISORDER IMPLICATIONS

None.

9. COMMENTS OF FINANCIAL SERVICES

Prior to the compilation of the statement of accounts for 2011/12 it is important that members of Governance and Audit Committee have the opportunity to discuss and comment on the accounting policies to be used in the production of

the financial statements. These policies if agreed, will be applied to the treatment of all transactions that make up the figures in the Statement of Accounts to ensure that the accounts present a true and fair view of the financial position of the Council at the balance sheet date and of its income and expenditure for the financial year.

10. COMMENTS OF LEGAL & DEMOCRATIC SERVICES

The policies referred to in this report are procedures and guidance and not formal policies adopted by the Council as policy development framework or key decisions made as a matter of local choice. As such there is no formal process for updating and amending. As a matter of good practice, any updates and amendments should be reported to Governance and Audit Committee in accordance with their role to consider whether appropriate accounting policies have been followed.

11. APPENDICES:

Appendix A - Statement of Accounting Polices 2011/12

APPENDIX A

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2011/2012 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit (England) Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012* and the *Service Reporting Code of Practice 2011/12,* supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

REVENUE RECOGNITION

Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in the Council's net worth. It is measured at the fair value of the amount receivable (except for Financial Assets). Non-contractual, non-exchange transactions such as council tax and business rates are measured at the full amount receivable.

Sale of Goods – revenue is recognised when all of the following conditions have been met:

- The Council has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Council retains neither continuing managerial involvement or effective control over the goods sold.
- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the Council.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.

Rendering of Services – revenue is measured on the basis of percentage of completion of the service at the reporting date and when the following conditions have been met:

- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the Council.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.
- The stage of completion of the transaction can be reliably measured.

Interest – is calculated using the effective interest method and recognised when:

- The amount of revenue can be reliably measured.
- It is probable that economic benefits or service potential will flow to the Council.

Non-Exchange Transactions – revenue is recognised when

- It is probable that economic benefits or service potential will flow to the Council.
- The amount of revenue can be reliably measured.

Where an amount is received that does not meet the recognition criteria above, it is treated as a creditor. When the relevant recognition criteria are met at a later date revenue equal to the reduction in the carrying amount of the liability shall be recognised.

If an uncertainty arises about the collectability of an amount already included in revenue, the amount in respect of which recovery has ceased to be probable is recognised as an expense in the Comprehensive Income & Expenditure Statement.

Where an amount has not yet been received, but the revenue meets the recognition criteria above, it is treated as a debtor in the balance sheet.

ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- **Fees, charges and rents** due from customers are accounted for as income at the date the council provides the relevant goods or services.

- **Supplies** are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.

- **Works** are charged as expenditure when they are completed, before which they are carried as works in progress on the balance sheet.

- **Interest** payable on external borrowings and interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

EVENTS AFTER THE REPORTING PERIOD

These are events, both favourable and unfavourable that occur between the end of the reporting period (31st March) and the date when the Statement of Accounts is authorised for issue. This date is published within the Statement of Accounts. There are two types of events:

- Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events). The Statement of Accounts will be adjusted to reflect these.
- Those that are indicative of conditions that arose after the reporting period (non-adjusting events). If these events would have a material effect, disclosures will be made in the notes of the nature of the event and an estimate of its financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income & Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES & ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, the opening balances and comparative amounts for prior periods are adjusted as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

GOVERNMENT GRANTS & OTHER CONTRIBUTIONS (REVENUE)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised in the Comprehensive Income & Expenditure Statement (CIES) on an accruals basis at the date that the Council satisfies the conditions of entitlement to the grant/contribution and that there is reasonable assurance that the monies will be received. Conditions are stipulations that specify how the grant or contribution is to be used, and if not met require the return of the grants or contribution to the transferor.

If money has been advanced for which conditions have not been satisfied, these are treated as a creditor in the Balance Sheet. The money is transferred to the CIES once the conditions are met. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to Taxation and Non-Specific Grant Income.

If money has been advanced for a specific purpose, conditions are met, but expenditure has not yet been incurred, these amounts are transferred to earmarked reserves in the balance sheet to meet future expenditure.

OVERHEADS & SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12 (SeRCOP)* (for example, charges are based on estimated or actual time allocations with the exception of administrative building costs – floor area basis). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate & Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP (Service Reporting Code of Practice) and have been accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

EMPLOYEE BENEFITS

Benefits Payable During Employment: include wages, salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees. A liability to pay employee benefits is recognised as an expense in the Comprehensive Income & Expenditure Statement on an accruals basis.

Paid annual leave, flexi-time, maternity and paternity pay that have been earned but not taken by the reporting date and which employees can carry forward into the next financial year are measured as the additional amount the Council expects to pay and are recognised as an accrual in Surplus or Deficit on Provision of Services. These amounts are reversed out in the Movement in Reserves Statement so that they are charged to revenue in the financial year in which the holiday absence occurs.

Bonuses and similar payments are recognised when the Council has a present obligation to make such payments as a result of past events and a reliable estimate of the amount due can be made.

Termination Benefits: are payable as a result of the Council's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the relevant service line in the Comprehensive Income & Expenditure Statement.

Termination benefits are recognised as a liability and an expense when the Council is committed to either terminate the employment or to provide termination benefits. The commitment will be demonstrated by a detailed formal plan and there is no realistic possibility of withdrawal.

When termination benefits are in the form of pension enhancements they will be treated as pension costs.

Post-Employment Benefits – The Council recognises the cost of retirement benefits in the revenue account when employees earn them, rather than when the benefits are eventually paid as pensions.

Employees of the Council are offered membership of the Local Government Pension Scheme, administered by Lincolnshire County Council. This is accounted for as a defined benefit scheme (retirement lump sums and pensions) earned as employees worked for the Council.

Local Government Pension Scheme
The liabilities of the pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to the retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Financial assumptions are based on market expectations at the reporting date for the period over which they are to be settled. The scheme assets and liabilities are subject to a formal actuarial valuation every three years.

Between these formal valuations, values are estimated at each balance sheet date using latest membership data.

- Liabilities are discounted to their value at current prices, using a discount rate calculated by the Actuaries (based on the indicative rate of return on the Bond yields and inflation rates).

- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value:

  Quoted securities – current bid price
  Unquoted securities – professional estimate
  Unitised securities – current bid price
  Property - market value

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – charged in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing & Investment Income & Expenditure line in the Comprehensive Income and Expenditure Statement.

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing & Investment Income & Expenditure line in the Comprehensive Income and Expenditure Statement.

- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumption – debited to Other Comprehensive Income & Expenditure and recognised in the Pensions Reserve.

- contributions paid to the Lincolnshire County Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the future liabilities calculated according to the relevant accounting standards. If the amount charged to Surplus or Deficit on the Provision of Services is larger than the actual contributions paid into the pension fund in the year, the General Fund Balance will be

credited with the difference, with the opposing entry to the Pension Reserve. If the amount charged is smaller the General Fund Balance will be debited with the difference.

Discretionary Benefits - The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

NON-CURRENT ASSETS

INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (eg software licences) is capitalised when it will bring benefits to the council for more than one financial year. Expenditure on the development of the Council's website is not capitalised. Where expenditure on intangible assets qualifies as capital expenditure any transactions relating to them are reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

Intangible assets are initially measured and are subsequently carried at amortised cost as there is no active market. They are amortised to the relevant service revenue accounts over the life of the investment on a straight line basis. The amount in the balance sheet is the cost net of amortisation. Any gain or loss arising on the disposal of an intangible asset will be posted to the Other Operating Income & Expenditure line in the Comprehensive Income & Expenditure Statement.

The useful life of intangible assets is assessed by the Chief Finance Officer at the time of acquisition. Intangible assets are derecognised when no future economic benefits are expected from them.

PROPERTY, PLANT & EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others or for administrative purposes on a continuing basis.

Recognition: Expenditure on the acquisition, creation or enhancement of non-current assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs & maintenance) is charged to revenue as it is incurred.

Enhancement is expenditure intended to:

- lengthen substantially the useful life of the asset,
- increase substantially the value of the asset,
- increase substantially the extent to which the asset can be used.

The Council has a de-minimis of £10,000 for capital expenditure, with the exception of the purchase of motor vehicles. Where the total cost of an asset is higher than £10,000 but only part of the expenditure has occurred within a financial year, that expenditure would be included in the balance sheet even if it was below the de minimis level.

Measurement: Assets are initially measured at cost on an accruals basis, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Dwellings – fair value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2011/12 is 34%.
- Community assets and assets under construction –historical cost.
- Plant, Vehicles & Equipment – depreciated historical cost
- All other classes of assets – fair value, unless there is no market-based evidence of fair value because of the specialist nature of the asset. In this case fair value is estimated using the Depreciated Replacement Cost method.

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value, but as a minimum every five years. Valuations of property assets are carried out by the District Valuer, an external, qualified valuer, who is independent of the Council. The method of valuations is as recommended by CIPFA and in accordance with the principles and guidance notes issued by the Royal Institute of Chartered Surveyors. Operational assets constructed or acquired during the year will be revalued on 1 April of the following year.

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation which are not specific to one asset but affect several are revaluations losses as opposed to impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: At the end of each reporting period an assessment takes place as to whether there is any indication that assets are carried in the balance sheet at higher values than their recoverable amounts. If this occurs it is requires the recognition of an impairment loss.

The impairment loss is first written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, then any further impairment is charged to the relevant service revenue account in the Comprehensive Income & Expenditure Statement.

When the assessment identifies that a previous impairment loss no longer exists or has decreased, any previous loss charged to the Comprehensive Income & Expenditure Statement is reversed up to the original carrying amount of the asset and any subsequent increase is taken to the Revaluation Reserve.

Impairment losses and their reversal are not proper charges to the General Fund, so any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Derecognition: an asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. When an asset is disposed of or decommissioned, the difference between the net disposal proceeds and the carrying amount of the asset is the gain or loss on disposal, which is included in Surplus or Deficit on the Provision of Services within the Comprehensive Income & Expenditure Statement. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received on disposal are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are reported in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are reported in the Movement in Reserves Statement.

Depreciation: This is provided for on all Property, Plant & Equipment assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- Land is not depreciated as it will not have a finite life.
- Council Dwellings and Other Buildings are depreciated using the straight line method. The finite useful life is assessed by the District Valuer at the time of revaluation but for Council Dwellings is usually 50 years, and for other buildings is between 1 and 60 years.
- Plant & Equipment are also depreciated by the straight line method. Useful life is assessed by the Chief Finance Officer at the time of acquisition. usually between 3 and 10 years. Some assets have a longer life span, up to 30 years.
- Vehicles are depreciated using the reducing balance method at a rate of 25% per annum.
- Non-current assets held-for sale are not depreciated.
- Assets under construction and newly acquired assets are depreciated from the date they are brought into use.
- Investment Properties are not depreciated.
- Assets to be disposed of are depreciated until they are reclassified as non-current assets held-for-sale.

Where an asset has major components with different estimated useful lives, these are depreciated separately if this would materially affect the amount of depreciation charged on

that asset. Only assets with a carrying amount more than or equal to £500,000 at the beginning of the financial year are considered for componentisation. To be recognised as a component the value of the part of the asset being considered must be more than or equal to 10% of the value of the asset, and have a life less than or equal to half that of the main asset. When a component is replaced, the carrying amount of the old component is derecognised and the new component is recognised. If the carrying amount of the old component is not known, this is estimated by indexing back from the cost of the new component and adjusting for depreciation and impairment over the old component's useful life. The Building Costs Index will be used.

The depreciation calculated is charged to the service revenue accounts, central support service accounts and trading accounts.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charges for non-housing assets are not proper charges to the General Fund, so are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement. Depreciation charges for HRA dwellings that are covered by the Major Repairs Allowance (MRA) are real charges and are included in the Comprehensive Income & Expenditure Statement. If the depreciation charged is higher than MRA, an amount equal to the difference is transferred to the HRA from the Major Repairs Reserve. If the depreciation charged is lower than MRA the transfer is from the HRA to the reserve. These transactions are reported in the Movement in Reserves Statement.

Capital Grants and Contributions are recognised when there is reasonable assurance that:

- The Council will comply with the conditions attached to them
- The grant or contribution will be received.

They are accounted for on an accruals basis, and recognised immediately in the Comprehensive Income & Expenditure Statement unless any conditions attached to their receipt have not been met.

Where conditions have been met, but the expenditure has not yet been incurred, the grant is transferred from the Comprehensive Income & Expenditure Statement to the Government Grants Unapplied Account and the movement is reported in the Movement in Reserves Statement. When the expenditure is eventually incurred, the grant is transferred to the Capital Adjustment Account and again this is reported in the Movement in Reserves Statement.

Where conditions remain outstanding at the Balance Sheet date, the grant is recognised as a Capital Receipt in Advance. Once the conditions have been met, the grant will be recognised as income in the Comprehensive Income & Expenditure Statement.

INVESTMENT PROPERTY

An investment property is one that is solely used to earn rentals or for capital appreciation or both. Property that is used to facilitate service delivery as well as earn income or appreciate is classed as Property, Plant & Equipment.

Investment property is recognised initially at cost as for property, plant and equipment and subsequently at fair value which should reflect market conditions at the Balance Sheet date. An investment property is recognised when:

- It is probable that the future economic benefits associated with the property will flow to the Council.
- The cost of the fair value of the property can be reliably measured.

Subsequent capital expenditure is recognised as for property, plant and equipment.

A revaluation gain or loss arising from a change in the fair value of an investment property is recognised in the Surplus or Deficit on Provision of Services in the period in which it arises. It is not a proper charge to the General Fund and is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Investment properties are not depreciated.

Derecognition of investment properties occurs on disposal or retirement. Gains or losses are recognised in the Surplus or Deficit on Provision of Services and reported in the Movement in Reserves Statement. Gains are treated as capital receipts and taken to the Useable Capital Receipts Reserve with the opposing entry to the Capital Adjustment Account.

Rentals received from investment properties are credited to the Surplus or Deficit on Provision of Services.

NON-CURRENT ASSETS HELD-FOR-SALE

The following criteria must all be met for an asset to be classified as held for sale:

- The asset must be available for immediate sale in its present condition.
- The sale must be highly probable – the appropriate level of management must be committed to a plan to sell the asset, and an active programme to locate a buyer must have been initiated.
- The asset must be actively marketed for a sale at a reasonable price.
- The sale must be expected to be completed within one year.

Assets held for sale are measured at the lower of carrying amount when initially reclassified as held for sale and fair value less costs to sell. Fair value is interpreted as market value. The carrying amount will be compared to the fair value less costs to sell at both the beginning an end of the reporting period.

Revaluation gains when assets are reclassified as held for sale are only recognised to the extent that they reverse previous impairment or revaluation losses charged to Surplus or Deficit on Provision of Services. Any gain above this amount will be recognised as part of a gain on disposal. Revaluation losses or impairments of assets held for sale are charged to the Surplus or Deficit on Provision of Services. Any such charges are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Assets classified as Held-For-Sale are not depreciated.

If any of the criteria cease to be met the asset will be reclassified and valued at the lower of its carrying amount before it was classified as held for sale and its recoverable amount at the date of the decision not to sell.

HERITAGE ASSETS

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For most of the Council's heritage assets, insurance valuations are used. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the Authority's policies relating to property, plant and equipment.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service revenue account in the year. These items are generally grants. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account is made and reported in the Movement in Reserves Statement so there is no impact on the level of council tax.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year.

- Depreciation attributable to the assets used by the relevant service.
- Impairment and revaluation losses on non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute to the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

LEASES (where the Council is Lessee)

Leases of land and buildings are considered as separate elements. When the land has an indefinite economic life it is classified as an operating lease unless ownership would pass to the lessee at the end of the lease term.

Finance Leases: leases where substantially all the risks and rewards of ownership relating to the leased property transfer to the lessee. Property, plant and equipment held under finance leases are initially recognised on the Balance Sheet at the fair value of the property. A liability equal to the present value of the minimum lease payments is also recognised. The discount rate used in the calculation is the interest rate implicit in the lease. Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation. The finance charge is charged to revenue over the term of the lease. Property, plant and equipment held under finance leases are depreciated in accordance with the council's depreciation policy over the shorter of the lease term and the assets useful economic life. They are also subject to revaluation. Contingent rents are charged as expenses in the periods in which they are incurred.

Operating Leases: are leases which do not meet the definition of finance leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

LEASES (where the Council is Lessor)

Where the Council acts as Lessor, assets let under a **finance lease** are recognised as a receivable on the balance sheet. When an asset is let on a finance lease this is treated as a disposal and the gain or loss on disposal is charged to the Comprehensive Income & Expenditure Statement. Payments received are split between repayment of principal and interest. Interest is recognised in the Comprehensive Income & Expenditure Statement. The principle element received in repayment of the lease is treated as a capital receipt, except in the case of leases that were already in existence at 31/03/2010 but were treated as Operating Leases under previous accounting rules. For these leases the principle element continues to be treated as revenue income.

Income from **operating leases** is recognised in the Comprehensive Income & Expenditure Statement on a straight-line basis over the lease term. Assets held for leasing under an operating lease are depreciated in accordance with the council's depreciation policy over the shorter of the lease term and the assets useful economic life. They are also subject to revaluation.

CURRENT ASSETS

Inventories & Long Term Contracts: Inventories are measured at the lower of cost and net realisable value. Where the output is in the form of a service rather than goods, work in progress is measured at the cost of its production, primarily consisting of the labour and other personnel costs incurred in providing the service.

Cash & Cash Equivalents: Cash is defined as cash in hand; cash held in instant access accounts; money market funds and bank overdrafts integral to cash management. Cash equivalents are balances held in accounts which require up to 30 days notice for withdrawal. They are readily convertible to a known amount of cash, hold insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment.

The Council also uses 30 day notice accounts for short-term investments when they provide a better rate of interest than a 3 month deposit. In this case these amounts are classified as investments. An analysis of 30 day notice accounts is done at the balance sheet date to determine the classification relevant to each account.

PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions: are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

The council has made a provision for settling the self-insured element of Public Liability insurance claims.

Contingent Assets: are not recognised in the financial statements but are disclosed as a note to the accounts. They are disclosed when an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence of uncertain future events not within the control of the Council.

Contingent Liabilities: are not recognised in the financial statements but are disclosed as a note to the accounts. They are disclosed when an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not within the control of the Council. Contingent liabilities may also arise where a provision would otherwise be made, but either it is not probable that an outflow of resources will be required or the amount cannot be reliably measured.

RESERVES

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes eg. For non-current assets, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

FINANCIAL INSTRUMENTS

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement for interest payable are based on the

carrying amount of the liability multiplied by the effective rate of interest for the instrument. For all of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest) and interest charged to the Income & Expenditure Account is the amount payable for the year in the loan agreement.

All current borrowing is with the Public Works Loan Board and the Council has no intention at present to make early settlement of these loans. Borrowing costs that relate to these loans are charged to the Comprehensive Income & Expenditure Account as they are incurred.

Financial assets are classified into two types:

- Loans & receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income & Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest of the instrument. For all of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principle receivable (plus accrued interest) and interest credited to the Comprehensive Income & Expenditure Statement is the amount receivable for the year in the loan agreement.

When financial assets are identified as impaired because of a likelihood arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service or the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement Income & Expenditure Account. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement Income & Expenditure Account.

The Council does not hold any Available-for-Sale assets.

PRINCIPAL & AGENT TRANSACTIONS

In its capacity as a billing authority the Council acts as an agent - council tax income is collected and distributed by the Council both on its own behalf and as an agent for Lincolnshire County Council and Lincolnshire Police Authority. Non Domestic Rate (NDR) income is collected on behalf of the Government.

Where the Council is acting as an agent, transactions are not reflected in the financial statements, except where cash is collected or expenditure is incurred on behalf of the other bodies. In this case a debtor or creditor will be raised.

Council Tax income is included in the Comprehensive Income & Expenditure Account on an accruals basis.

REPORT TO GOVERNANCE & AUDIT COMMITTEE

REPORT OF: Head of Finance

REPORT NO: HOF 192

DATE: 15th March 2012

TITLE:	REVISED APPROACH TO COMPONENTISATION ESTIMATES FOR 2011/12 YEAR END PROCESS	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	None	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Cllr Mike Taylor Assets and Resources Portfolio Holder	
CONTACT OFFICER:	Nicky Lovely, Finance Support Manager (Accountancy) n.lovely@southkesteven.gov.uk Telephone 01476 406208	
INITIAL IMPACT ASSESSMENT: **Equality and Diversity**	N/A	Full impact assessment Required: N/A
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Local Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	None	

1. RECOMMENDATION

It is recommended that Governance & Audit Committee approve the proposed approach to estimating the value of components to be derecognised during the production of the 2011-12 Statement of Accounts.

2. PURPOSE OF THE REPORT

The purpose of this report is to allow the Committee to consider the proposed approach and to ensure that they are confident that use of this method will produce true and fair values for assets to be included in the Balance Sheet.

3. BACKGROUND

In the Annual Governance Report presented to this committee by the District Auditor in September 2011, there was one audit recommendation made. This recommendation was that the Council should "strengthen the estimation technique for calculating the carrying value of replaced assets using appropriate estimation techniques."

This refers to a requirement in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which is published each year. The requirement is that when a component of a fixed asset is replaced, the value of the old component is written out of the balance sheet and the value of the new one added. Eg if one of the Council's dwellings has a new kitchen installed, the remaining value of the old kitchen should be calculated and written out of the accounts, and the value of the new kitchen added.

During the production of the 2010/11 accounts it was not possible to calculate the value of old components to be written out as records relating to the age and original cost was not available. The Code suggests an estimation technique using the cost of the new component and indexing back to the date of installation of the old component, and adjusted for depreciation. The Apex stock management system that the Council uses does not have capacity to retain installation dates of old components - when a new component is installed this instalment date overwrites any already in the system. Without this data there is not a date to index back to, so the suggested technique could not be used.

Due to this lack of data, no values were written out for replaced components. To support that there was no value left relating to the old components, the argument was put forward that improvements made to the Council's housing stock were only those required by the Decent Homes Standard. This was supported by the fact that two years ago, the HRA was running with a £2million deficit and the decision was taken at that time, that the only improvements to be carried out were those deemed necessary to achieve Decent Homes Standard. The improvements budget has therefore been set each year since to only cover these works and would show an overspend at the year end if many other non-Decent Homes improvements were undertaken. This is not the case as the housing capital budget is always underspent.

The Decent Homes Standard requires replacement of key components if they are either older than a specified useful life and in poor condition. The argument therefore was that due to the decision that only "Decent Homes improvements" would be undertaken, only components older than a specified useful life would be replaced. If any asset is older than it's useful life it would have been fully depreciated and would therefore have no value to be written out.

Although the auditors accepted that there was unlikely to have been a material impact on the values included in the Balance Sheet due to the above facts, the recommendation to improve the estimation technique was made in the Annual Governance Report.

An exercise has been carried out with the Improvements team to identify the number of properties that had improvements undertaken that were not Decent Homes Improvements. This proves that the number of components replaced that had some residual value was small and therefore the value to be written out would be immaterial.

This was a lengthy piece of work and cannot be undertaken every year to inform the values in the Statement of Accounts. The auditors have agreed that:

- provided there is no change to the Council's decision to only carry out Decent Homes Improvements;
- and that there are no mitigating circumstances requiring other improvements to be made (e.g. adverse weather conditions affecting many properties);
- and that this committee approve the approach as described above

then the Council will have met the requirements of the recommendation.

4. OTHER OPTIONS CONSIDERED

The exercise to identify which improvements were not undertaken to meet Decent Homes Standards could be carried out every year starting 1st April to inform the Statement of Accounts. This option is not feasible as the data is difficult to extract, the exercise took five months and the deadline for producing the Statement of Accounts is 30 June.

Issue an instruction that when staff input the installation date of a new component into the stock condition system, they record the date of installation of the old component on a separate system before they overwrite it. This is unlikely to produce reliable data – this separate system may not be kept up to date, staff could forget, new staff may not be made aware, etc.

5. RESOURCE IMPLICATIONS

If this recommendation is accepted, there would be no resource implication.

If the decision is made to carry out the identification exercise every year, more resources would be required both within the Improvements team to extract the data and within Accountancy to analyse the data and calculate the value to be written out.

If an instruction to record old installation dates, this would potentially require a small amount of resource within the Improvements team to check that the data is being kept up to date.

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None.

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None.

8. CRIME AND DISORDER IMPLICATIONS

None.

9. COMMENTS OF FINANCIAL SERVICES

There are no financial implications arising from this report.

10. COMMENTS OF LEGAL & DEMOCRATIC SERVICES

The proposal in this report is for the adoption of an accounting practice which was recommended by the District Auditor to produce a fair value for existing assets to be included in the balance sheets. The proposal is good practice and something which the Committee can approve as part of its remit to approve the statement of accounting policies

11. APPENDICES:

None.

South Kesteven District Council Emergency Planning and Business Continuity Work Plan 2012

Work	Start Date	Target Completion Date	Status	Comments	Officer Responsible
Provide emergency planning awareness training to SKDC Elected Members	##########	Annual Update		HR will coordinate this training event.	Emergency Planning Officer
Produce and circulate Elected Members Emergency Planning Guidance	##########	##########		Guidance complete to be updated and issued at training event.	Emergency Planning Officer
Review and update Emergency Planning web pages on SKDC website	##########	Quarterly from start date		Next update scheduled for June 2012.	Emergency Planning Officer
Periodically produce articles for SK today and local media on topical Emergency Planning and Business Continuity issues such as how to be prepared for severe weather.	Ongoing Activity	Ongoing Activity		Articles will be produced to coincide with media publications, both internally produced and external.	Emergency Planning Officer & Communications Officer
Update of IT Disaster Recovery Plan	##########	##########	P	Document to be reviewed and updated annually.	Emergency Planning Officer & IT Manager
Review and update service area Business Continuity Plans	##########	Sunday, July 01, 2012		A cross check of the service area critical functions and those on the master list is currently taking place. Any differences will be addressed so both lists are the same. The Emergency Planning Officer is going to meet with all Plan holders to update individual plans.	Service Manager with advice from Emergency Planning officer
Review and update the Emergency Plan	##########	01 April 2012		The contacts within the plan are being checked and then the plan is ready for issue. This refresh will be carried out annually.	Support staff
Promote Business Continuity	Ongoing Activity	Ongoing Activity		Continue to work with local businesses, offering advice and support in relation to their own business continuity during and after disruption to normal business.	Emergency Planning Officer
Emergency Planning and Business Continuity refresher training for Senior Management Team	##########	##########		This will be carried out annually, briefings will be held with any new members of the Management Team as required.	Emergency Planning Officer
Attend Risk Management and Service Manager meetings as required.	As Required	As Required		Play an active role in raising awareness of BC and EP.	Emergency Planning Officer
Run an emergency planning exercise to test the District's Emergency Plan.	##########	##########		This will be carried out locally and will be supported by the relevant emergency services.	Emergency Planning Officer needs attendance from Service managers
Promote community resilience	Ongoing Activity	Ongoing Activity		There is a county group that leads on this project. Documentation for parish councils and communities will be available on www.lincolnshireprepared.co.uk and in hard copy from council offices.	Emergency Planning Officer
Prepare Set Up Manual for Mowbeck Emergency Centre	##########	Sunday, April 01, 2012		Currently in draft format, to be completed by end of March 2012.	Emergency Planning Officer
Gold Training and Silver Awareness training for Strategic Team and Heads of Service	Ongoing Activity	When Required		This training to be carried out by the County Emergency Planning Team.	LRF Training and Exercising group
Review and update Corporate Business Continuity Plan and Strategy	##########	Sunday, April 01, 2012		The contacts within the plan are being checked and then the plan is ready for issue. This refresh will be carried out annually and a formal update completed on a three year cycle.	Emergency Planning Officer & BCT Lead
Prepare and present Business Continuity Annual report	##########	TBC		Follow up from 2011 report	Emergency Planning Officer & BCT Lead

Not on target
In progress on target
Completed

Glossary: P Priority Action
EP Emergency Planning
BC Business Continuity
LRF Local Resilience Forum

N.B SKDC's Emergency Planning officer is on Maternity Leave from January 2012. Cover is being provided by Paula Ireland, Senior Emergency Planning Officer who will be covering 2 districts WLDC and SKDC.