

# AGENDA



For a meeting of the
<b>GOVERNANCE AND AUDIT COMMITTEE</b>
to be held on
<b>THURSDAY, 21 NOVEMBER 2013</b>
at
<b>2.00 PM</b>
in the
<b>WITHAM ROOM - COUNCIL OFFICES, ST. PETER'S HILL, GRANTHAM. NG31 6PZ</b>
<b>Beverly Agass, Chief Executive</b>

Committee Members:	Councillor Jean Bevan (Vice-Chairman), Councillor Trevor Scott, Councillor Rob Shorrocks, Councillor Ian Stokes (Chairman), Councillor Jeff Thompson, Councillor Martin Wilkins and Councillor Rosemary H Woolley
Committee Support Officer:	Jo Toomey Tel: 01476 406152 E-mail: <a href="mailto:j.toomey@southkesteven.gov.uk">j.toomey@southkesteven.gov.uk</a>

**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. DISCLOSURE OF INTERESTS**

Members are asked to disclose any interests in matters for consideration at the meeting.

**4. MINUTES OF THE MEETING HELD ON 26 SEPTEMBER 2013**

**(Enclosure)**

**5. UPDATES FROM PREVIOUS MEETING**

**6. INTERNAL AUDIT PROGRESS REPORT**

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

**7. INTERNAL AUDIT TRACKING REPORT**

Members will consider the Internal Audit tracking report. **(Enclosure)**

**8. INTERNAL AUDIT 2014/15 INDICATIVE WORKPLAN**

Members will consider the Internal Audit indicative workplan for 2014/15. **(Enclosure)**

**9. INTERNAL AUDIT CHARTER**

Members are asked to consider the proposed charter. **(Enclosure)**

**10. TREASURY MANAGEMENT MID-YEAR REVIEW**

Report number HOF255 by the Head of Finance. **(Enclosure)**

**11. CORPORATE RISK REGISTER**

Report number HOF260 by the Head of Finance. **(Enclosure)**

**12. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT.**

# MINUTES

## GOVERNANCE AND AUDIT COMMITTEE

THURSDAY, 26 SEPTEMBER 2013



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### COMMITTEE MEMBERS PRESENT

Councillor Jean Bevan (Vice-Chairman)  
Councillor Trevor Scott  
Councillor Rob Shorrocks  
Councillor Ian Stokes (Chairman)

Councillor Jeff Thompson  
Councillor Martin Wilkins  
Councillor Rosemary H Woolley

### OTHER MEMBERS

Councillor Paul Carpenter (Governance & Communication)  
Councillor Mike Taylor (Portfolio: Strategic Resources – Well Run Council)

### OFFICERS

Strategic Director, Corporate Focus (Daren Turner)  
Head of Finance (Richard Wyles)  
Head of People, Projects and Performance (Sue Griffiths)  
Operations Director (Ian Yates)  
Head of Environmental Services (Mike Butler)  
Property Development Manager (Neil Cucksey)  
Finance Support Manager (David Scott)  
Interim Customer Services Manager (Lee Sirdifield)  
Senior Accountant (Gill Goddard)  
Principal Democracy Officer (Jo Toomey)  
Corporate Health and Safety Advisor (Helen Kettle)

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### 18. APOLOGIES

An apology for absence was received from Councillor John Smith, Portfolio Holder for Healthy Environment.

### 19. DISCLOSURE OF INTERESTS

No interests were disclosed.

## **20. MINUTES OF THE MEETING HELD ON 23 JULY 2013**

The minutes of the meeting held on 23 July 2013 were proposed, seconded and agreed as a correct record.

## **21. UPDATES FROM PREVIOUS MEETING**

Following the Committee's meeting on 27 June 2013 when Internal Audit presented its audit of flexi-time arrangements, the Head of People, Projects and Performance updated members on progress against recommendations.

She provided a brief explanation of the evolution of the Council's flexible working arrangements from annual hours to a flexi-time model based on 4-week periods. The change allowed tighter management of the accrual of hours and the point at which they were taken. The process had also seen the development of time-recording on spreadsheets rather than paper records.

Members were informed that most recommendations made by Internal Audit related to the spreadsheet, on which some cells and formulas could be amended. These recommendations were implemented in the recording sheets for 2013/14.

One recommendation suggested some clarification within the flexitime policy was required. The policy had been adjusted to reflect this.

A further recommendation related to checking timesheets; Internal Audit initially recommended that human resources should check the timesheets for all staff however the management opinion was that responsibility for this should sit with line managers. It was agreed with Internal Audit that line managers would be responsible for checking and signing-off timesheets and that human resources staff would do spot-checks.

The Committee considered the update and asked a number of questions. Members were informed that under the 4-week system staff would only be able to carry hours forward that were the equivalent to one-working day; any accrued hours exceeding one working day would be lost.

The officer was asked whether information was available on the number of hours taken and the number of hours lost. Members were advised that the information could be collected from service managers but was not held centrally. Consideration was given to whether it would be appropriate for Human Resources to retain all recording sheets centrally to enable officers to analyse working patterns across all services. The organisational view was that the role of human resources should concentrate on organisational development. Members were advised that officers looked at workforce capacity annually and, if necessary, timesheet information could be pulled together through heads of service.

Brief discussion also ensued on further possible developments to flexible working and the introduction of agile working arrangements.

## **22. ANNUAL GOVERNANCE REPORT 2012/13**

Representatives from KPMG presented and summarised key messages from the Annual Governance Report. Members noted that external audit anticipated issuing an unqualified audit opinion by 30 September 2013. This could only be issued following receipt of a signed management representation letter and the sign-off of the Statement of Accounts 2012/13. As part of the audit of the authority's financial statements, KPMG did not identify any material adjustments. A small number of non-trivial adjustments were made; these were mostly of a presentational nature. The Committee was informed that none of the adjustments had an impact on the General Fund.

External Audit also reported that there were no points of concern in relation to the Annual Governance Statement or the control environment to bring to the Committee's attention.

The Audit was also required to give an opinion on two value for money criteria around securing financial resilience and securing economy, efficiency and effectiveness. External audit anticipated giving an unqualified conclusion on value for money arrangements by the end of September.

Members clarified that, given auditors were happy with the working papers with which they were provided, there would be no increase in the audit fee. The Committee congratulated the officers for their work and noted KPMG's report.

## **23. STATEMENT OF ACCOUNTS 2012/13**

### ***Decision:***

### ***Members of the Governance and Audit Committee:***

- 1. Approve the revised Statement of Accounts 2012/13***
- 2. Note the commentary on the outcome of the audit work***
- 3. Approve the publication on the summary of accounts and that it be published on the Council's website***

The Head of Finance presented report number HOF249 on the Statement of Accounts 2012/13. An addendum had been circulated to Committee members, which amended a date on page 93, note 42 to reflect the date of this meeting. A schedule of the changes it had made at its meeting on 23 July 2013 as well as the changes made by external audit had also been circulated. Members were asked to approve the Statement of Accounts for 2012/13 and the summary document which would be made available for interested members of the public.

Committee members felt the Statement of Accounts reflected the changes it had requested and noted those amendments made by KPMG. The recommendations in report HOF249 were proposed, seconded and agreed.

*The meeting was adjourned between 14:35 and 14:41.*

## **24. INTERNAL AUDIT PROGRESS REPORT**

Representatives from Internal Audit informed the Committee that 11 reports had been finalised since the start of the financial year including one follow-up report, which was presented at the Committee's meeting in June 2013. The Committee was notified that three days from the contingency allocation had been agreed to conduct a Stamford Car Parks Income Review.

A summary was given of the audits that had been completed, the opinion given and the number of recommendations made.

Committee members asked questions about the audit of pool cars, which had been given an amber-red opinion. 7 recommendations had been made (4 medium risk and 3 low risk) which had been agreed with management. Of most concern to the Committee were arrangements for ongoing licence checks. Managers would be required to do annual checks of licences and sign-off copies to say they had seen originals. There was also a duty on staff members to inform their manager of any changes to their licence.

The Committee also gave consideration to the policy relating to vehicle checks before and after use. A new pool car policy would introduce a procedure for ensuring checks were carried out and recording the outcome of those checks. The other issue of particular interest for members was officers who did not use the cars they had booked.

A question was asked about the audit of leisure management arrangements in relation to Disclosure and Barring Service checks. Councillors were informed that the authority's contract required the contractor to ensure all staff had been subject to a Disclosure and Barring Service check. As part of the contract the council should ensure those checks were being undertaken.

The report also included an audit of Waste and Recycling following a limited opinion in November 2012. During the initial audit, 6 recommendations were raised, 4 of which had been fully implemented. The outstanding recommendations were re-raised and internal audit confirmed they were satisfied with the arrangements in place to implement them.

Members asked the officers present about how they ensured operatives did not start collecting waste before the time residents were required to put out their bins. Members were informed that vehicles only left the depot when there was sufficient time for them to reach their first pick-up ready for the 7:30am

collection to begin. The Bartech system would record any bins that were collected before 7:30am; in those instances the three-strikes missed bin policy would not be invoked. Brief discussion also ensued on whether 7:30am was an appropriate time to start collections.

The Committee noted the contents of the report.

## **25. COUNTER-FRAUD ANNUAL REPORT 2012/13**

### ***Decision:***

***The Governance and Audit Committee noted the contents of report number HOF250 and approved the action plan included in the report.***

The Finance Support Manager presented HOF250 on the Counter Fraud Annual Report 2012/13 and action plan. The report included a summary of the annual report produced by the Audit Commission: 'Protecting the Public Purse' and the National Fraud Initiative.

The report also provided a summary of Housing Benefit and Council Tax Support and/or Universal Credit Fraud Performance. This summarised the number of referrals and the action taken by the authority's fraud investigators. Members briefly discussed the Council's obligation to investigate allegations of fraud and the proportionality between the cost of investigation and any potential action against the estimated value of the fraud.

Members were also informed that one whistle-blowing case was reported to the Council and investigated by Internal Audit and that the authority was working with insurers to identify any suspicious claims.

A training and awareness raising campaign was planned for October/November 2013. Consideration would be given to training for all Councillors and the most appropriate method of delivery.

The Committee noted the report and approved the action plan.

*15:17: Councillor Shorrock left the meeting.*

## **26. COUNTER-FRAUD, CORRUPTION AND BRIBERY FRAMEWORK UPDATE**

### ***Decision:***

***The Committee approves the content of report number HOF251 on the Counter Fraud, Corruption and Bribery Framework.***

The Finance Support Manager presented report number HOF251 on the Counter Fraud, Corruption and Bribery Framework, which the Committee was required to review and update every two years. He explained that some small

amendments had been made to the Whistleblowing Policy to incorporate changes introduced by the Enterprise and Regulatory Reform Act 2013 and the introduction of a Housing Benefit/Council Tax Support and/or Universal Credit Counter Fraud Policy. A copy of the whole framework, incorporating amendments, was attached to the report, which Members approved.

## **27. OMBUDSMAN ANNUAL REVIEW LETTER 2012/13**

The Committee noted LDS108, which incorporated the Ombudsman Annual Report letter for 2012/13. The Ombudsman confirmed it had received 6 complaints about the Council, plus a further 5 premature complaints which were referred to the Council to be dealt with through the corporate complaints process. This compared favourably with previous years and the average number of complaints made against district authorities.

Of the complaints investigated by the Ombudsman, no findings of maladministration were made. Members also noted that the Ombudsman did not report any delays in the Council supplying requested information.

The reduced number of complaints was attributed to changes which were being made to the Council's customer feedback arrangements. Members agreed that the report was positive and noted its content.

*Councillor Taylor left the meeting.*

## **28. HEALTH AND SAFETY ANNUAL REPORT 2012/13**

The Operations Director presented the Health and Safety Annual Report (ENV593). Highlighted in particular was the specialist training given to relevant staff (e.g. asbestos, legionella) and taking appropriate action when people do not follow the training. The Committee noted the report.

## **29. CUSTOMER FEEDBACK**

### ***Decision:***

***The Governance and Audit Committee approves the amendments to the customer feedback process as outlined in report number CSCL001.***

The Head of People, Projects and Performance and the Interim Customer Services Manager presented report number CSCL001 which detailed proposals for dealing with customer feedback. The report detailed the way customer feedback would be handled to minimise the number of complaints that were escalated and to ensure the organisation captured and shared good practice and lessons learned.

Officers explained that ongoing work had seen staff training in customer service to improve consistency and performance across the authority. A draft feedback

form for members of the public was also circulated; a small number of formatting modifications were suggested.

The proposed changes at each stage of the Council's complaints procedure were highlighted. Members were advised that the complaints process would still have three stages but would see the removal of the Member Panel in favour of review by independent senior officers. If a customer was still not satisfied after their complaint had been through all three stages of the process, they could refer it to the Ombudsman. An additional stage of consideration, an independent tenant panel, would consider housing complaints before they could be referred to the Ombudsman.

Members asked whether the training given to officers had been successful. Reference was made to improvements reported in the Ombudsman letter and officers said they felt there had been positive changes across the authority. Committee members approved the report.

### **30. CLOSE OF MEETING**

The meeting was closed at 15:42.

## South Kesteven District Council

Internal Audit Progress Report

Audit Committee meeting: 21 November 2013

## Introduction

The internal audit plan for 2013/14 was approved by the Audit Committee on 14<sup>th</sup> March 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

We have finalised two reports relating to the 2013/14 audit plan since the previous Governance & Audit Committee meeting.

### Final Reports Issued

Assignment <i>Reports considered today are shown in italics</i>	Status	Opinion	Recommendations Agreed (by priority)			Total	Agreed
			High	Medium	Low		
<b>Current Reports</b>							
<i>Licensing</i>	<i>FINAL</i>	GREEN	0	0	0	0	0
<i>Payroll and Expenses</i>	<i>FINAL</i>	GREEN	0	1	0	1	1

<b>Reports already presented to Committee</b>							
<i>Pool Cars</i>	<i>FINAL</i>	AMBER RED	0	4	3	7	7
<i>Follow Up</i>	<i>FINAL</i>	GOOD PROGRESS	0	1	1	1	1
<i>Corporate Governance</i>	<i>FINAL</i>	GREEN	0	0	2	2	2
<i>Code of Conduct and Register of Interests</i>	<i>FINAL</i>	GREEN	0	0	1	1	1
<i>Fleet Management</i>	<i>FINAL</i>	AMBER GREEN	0	3	3	6	6
<i>Disabled Facilities Grants</i>	<i>FINAL</i>	GREEN	0	0	1	1	1
<i>Car Parks (Enforcement)</i>	<i>FINAL</i>	AMBER GREEN	0	4	3	7	7
<i>Income Collection</i>	<i>FINAL</i>	GREEN	0	0	3	3	3
<i>Leisure Management Contract</i>	<i>FINAL</i>	AMBER GREEN	0	3	1	4	4
<i>Waste and Recycling</i>	<i>FINAL</i>	AMBER GREEN	0	4	2	6	6
<i>Reactive Repairs and Maintenance</i>	<i>FINAL</i>	GREEN	0	1	4	5	5

### **Planning and Liaison:**

At the time of this Committee, the following draft reports have been issued to management and these will be presented at the next committee meeting:

- Absence Management
- Planning
- Bourne Community Access Point
- Staff Engagement and Communication
- Members Allowances and Expenses

Fieldwork has been completed for the Benefits Fraud Investigation Unit review and a draft report will be issued shortly.

Fieldwork is also underway for the following reviews:

- Risk Management
- Leases
- Treasury Management
- Economic Development

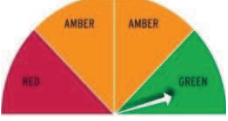
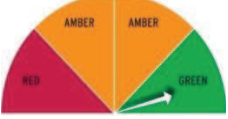
**Internal Audit Plan 2013/14 - Change Control:**

Action	Date	Agreed By
<i>A review of the 'Asset Management Plan' was replaced with an advisory review of 'Staff Engagement and Communication'.</i>	<i>November 2013</i>	<i>Strategic Director (Corporate Focus)</i>

**Internal Audit Performance**

Assignment	Debrief date	Draft report issued	Management responses received	Final report issued
<b><i>Licensing</i></b>	<b><i>27 Sep 2013</i></b>	<b><i>07 Oct 2013</i></b>	<b><i>11 Oct 2013</i></b>	<b><i>11 Oct 2013</i></b>
<b><i>Payroll and Expenses</i></b>	<b><i>27 Sep 2013</i></b>	<b><i>17 Oct 2013</i></b>	<b><i>18 Oct 2013</i></b>	<b><i>18 Oct 2013</i></b>
Pool Cars	10 May 2013	28 Jun 2013	31 Jul 2013	01 Aug 2013
Follow Up	n/a	23 May 2013	10 Jun 2013	13 Jun 2013
Corporate Governance	29 May 2013	04 Jun 2013	11 Jun 2013	12 Jun 2013
Code of Conduct and Register of Interests	13 Jun 2013	25 Jun 2013	25 Jun 2013	25 Jun 2013
Fleet Management	21 Jun 2013	05 Jul 2013	06 Aug 2013	07 Aug 2013
Disabled Facilities Grants	26 Jun 2013	05 Jul 2013	29 Jul 2013	29 Jul 2013
Car Parks (Enforcement)	03 Jul 2013	09 Jul 2013	31 Jul 2013	05 Aug 2013
Income Collection	05 Jul 2013	17 Jul 2013	12 Aug 2013	13 Aug 2013
Leisure Management Contract	19 Jul 2013	01 Aug 2013	15 Aug 2013	16 Aug 2013
Waste & Recycling	19 Jul 2013	07 Aug 2013	03 Sep 2013	05 Sep 2013
Reactive Repairs and Maintenance	09 Aug 2013	28 Aug 2013	03 Sep 2013	04 Sep 2013

## Key Findings from Internal Audit Work

Assignment: <b>Licensing (13.13/14)</b>	Opinion: Green	
<p>Headline Findings:</p> <p>Our review identified that there were sufficient and robust controls in place which were being consistently applied. No recommendations were raised in this review.</p>		
Assignment: <b>Payroll and Expenses (15.13/14)</b>	Opinion: Green	
<p>Headline Findings:</p> <p>Our review identified that there was a sound control framework in place however areas of non-compliance with controls were noted and as a result of our work <b>one 'medium' risk recommendation</b> has been raised. The recommendation was accepted by management.</p> <p>The medium risk recommendation related to:</p> <p><b><u>Subsistence and Car parking</u></b></p> <ul style="list-style-type: none"> <li>Within the 25 claims sampled, 14 claims were in relation to parking and subsistence; we were only able to view seven receipts that supported the claims. The remaining receipts could not be verified by Internal Audit due to the receipts being retained with the individual employees.</li> </ul> <p><b><u>Travel (Regular)</u></b></p> <ul style="list-style-type: none"> <li>The 11 remaining claims related to travel claims, five of which were for regular travel claims. A spread sheet listing all journeys made supports the regular travel claims. However, from the sample selected, only three of the spread sheets (which detail the individual journeys undertaken that month) were available to view electronically. The other two had not been seen. Discussion with the Line Manager confirmed that two of the authorised regular travel claims had not been reviewed prior to approval. Discussion with the various Line Managers who had authorised the sample claims confirmed that since the electronic claims process had been introduced receipts were not always reviewed prior to authorising the expense. There was also a lack of consistency in the location of where receipts are retained.</li> </ul>		
Action	Date	Responsible Officer
<p>Recommendation 1 - Medium Risk</p> <p>The Council should ensure that expense receipts are retained within departments in a consistent manner; providing adequate records are maintained for audit purposes and in line with the Financial Regulations.</p> <p>Receipts should be provided to the authorising manager to confirm they are reviewed prior to approving the claim. Expense claims should not be approved until corresponding receipts have been verified.</p>	November 2013	Finance Support Manager

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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## **South Kesteven District Council**

Internal Audit Report (14.13/14)

FINAL

Follow Up of Previous Internal Audit Recommendations

5 November 2013

# Contents

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Debrief meeting:	11 October 2013	Auditors:	Chris Williams
Officer Debriefed:	David Scott		Robert Barnett, Senior Manager
Draft report issued:	15 October 2013		Amjad Ali, Client Manager
Responses received:	05 November 2013	Client sponsor:	Alan Hetherington, Lead Internal Auditor
Final report issued:	05 November 2013		Bridget Dallison, Internal Auditor
		Distribution:	Richard Wyles, Head of Finance
			Richard Wyles, Head of Finance
			David Scott, Finance Support Manager
			Tracey Elliott, Governance and Risk Officer

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# 1 Executive Summary

## 1.1 Introduction

As part of the approved internal audit periodic plan for 2013/14 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.

At management's request, we have only followed up those recommendations classified as High and Medium risk. Recommendations categorised as Low risk 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 audits considered as part of the follow up review were:

- 20.12/13 Land Charges
- 25.12/13 Follow Up (February 2013)
- 29.12/13 Leaseholder Recharges
- 30.12/13 Excess Charge Notices

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

- 22.12/13 Programme Management
- 23.12/13 Green Waste Charges
- 26.12/13 General Ledger / Main Accounting System

The following Advisory reviews were excluded from the follow-up:

- 24.12/13 Welham Street Car Park
- 27.12/13 Vehicle Servicing
- 28.12/13 Risk Management

The 11 recommendations considered in this review comprised two 'high', and nine 'medium' 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 High or Medium risk.

Recommendations made as part of advisory reviews have not been followed up.

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.

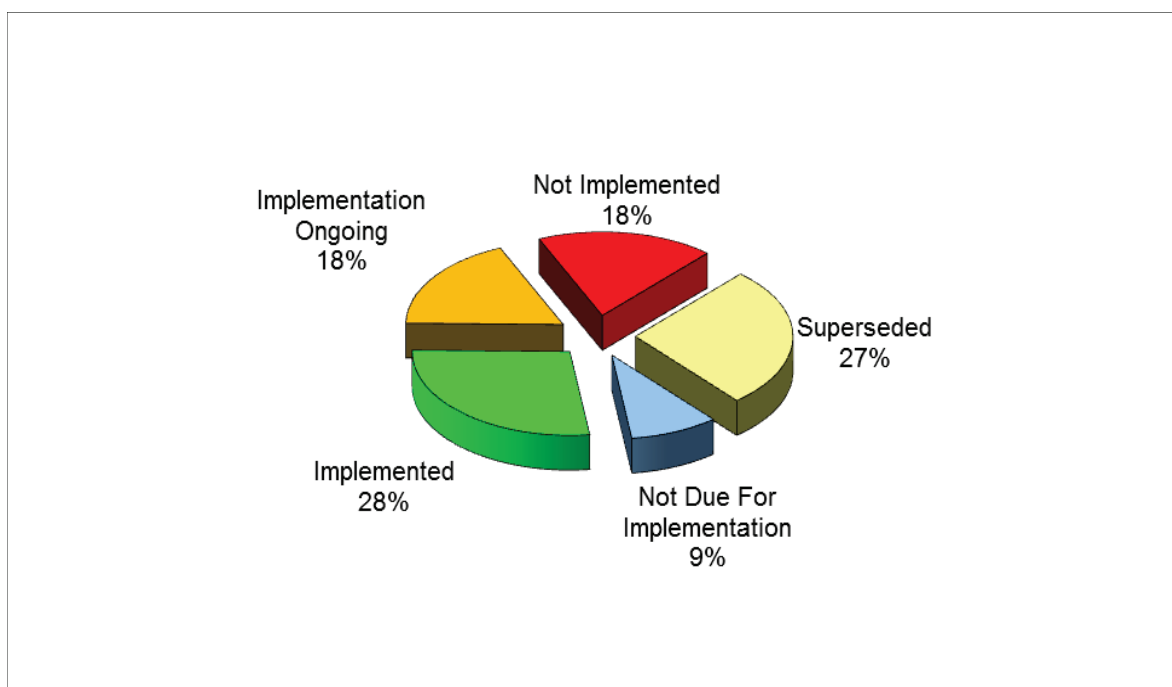
### 1.4 Recommendation Tracking

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 Audit Committee to monitor actions taken by management.

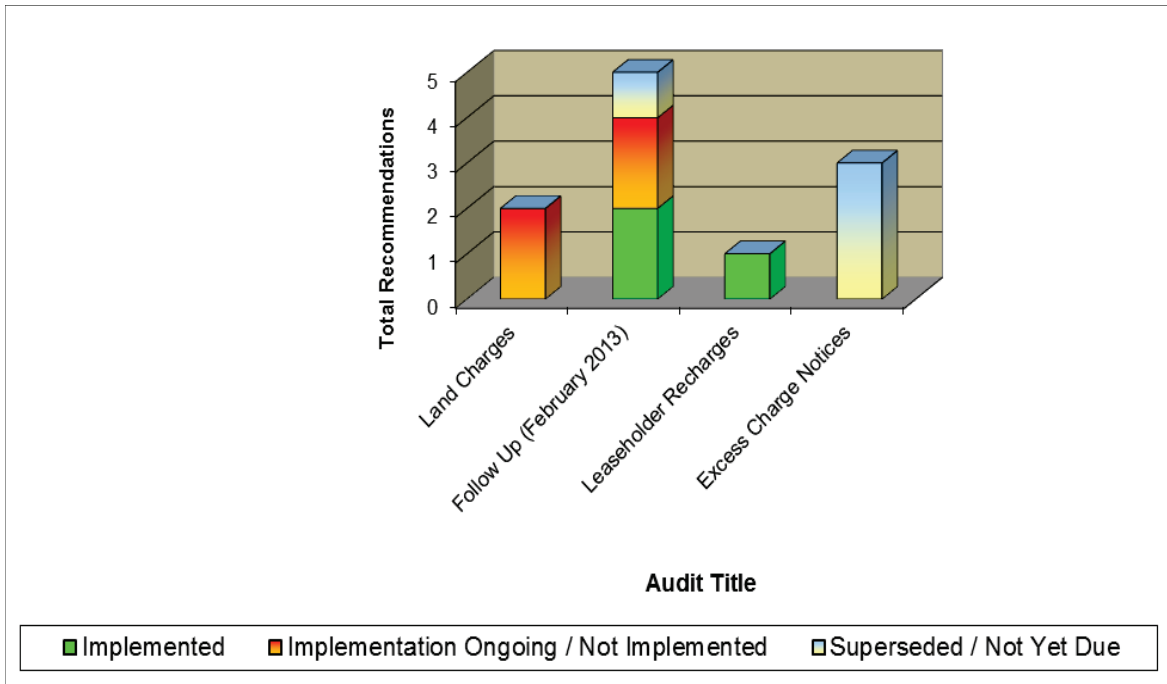
Recommendation tracking is undertaken by South Kesteven District Council's management on a regular basis, with an update provided to the Audit Committee at each meeting. As part of our Follow-up review, we have verified this information and completed audit testing to confirm the level of implementation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

#### 1.5 Status of Recommendations Followed Up

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



The bar chart below provides an overview of the status of recommendations that have been followed up as part of this review, grouped according to audit area:



## 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
<b>20.12/13 Land Charges</b>						
3.1.1	The Local Land Charges Register should be updated in a timely manner, once the notification has been received.	Medium	Y	Additional resources have been put in place which has released capacity within the Land Charges team to focus on updating the Land Charges Register and enable the Land Charges Officer to train other members of the team to undertake this roll in the future and ensure the register is updated in a timely manner.	December 2013	Service Manager Planning Policy & Partnerships
3.1.2	Approval should be obtained and retained on file to support the decision not to chase for the outstanding fee, if this is of a low value. An analysis of the income lost should be undertaken and be reported to management.	Medium	Y	Recommendation has been implemented. A process has been put in place to sign off the non-recovery of small individual debts and Land Charges Officers instructed to use this. A year-end report on loss of income will be prepared in March 2014.	October 2013	Service Manager Planning Policy & Partnerships
<b>25.12/13 Follow Up (February 2013)</b>						
3.2.1	<b>02.12/13 Contract Management - Ground &amp; Tree Maintenance</b> When a service is retendered, the Council should ensure that resulting contract(s) is / are signed by all parties involved.	High	Y	Ground Maintenance contract is in the process of being retendered. Tenders have been received and evaluated. A new contract should be in place by March 2014.	March 2014	Team Leader - Operations

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
3.2.2	<p><b>02.12/13 Contract Management - Ground &amp; Tree Maintenance</b></p> <p>When the new ground and tree maintenance contract is let it should be ensured that the contractor has responsibility for invoice preparation, and Grounds Maintenance staff are responsible for checking and agreeing the value as part of the payment authorisation process.</p>	Medium	Y	This will be agreed with the new contractor as the current contractor has not submitted a tender and therefore there will not be a continuance of this practise.	March 2014	Team Leader - Operations
3.2.3	<p><b>02.12/13 Contract Management - Ground &amp; Tree Maintenance</b></p> <p>A program of scheduled inspections of work undertaken by the Contractor should be in place and followed, to ensure that there is an audit trail to evidence the monitoring that the work is being carried to an acceptable standard throughout the District.</p>	High	Y	The performance of the current contract is through self-monitoring by the contractor with random inspections by SKDC's Grounds Maintenance Coordinators. The new contract is based on an outcomes specification and we will work with the new contractor to ensure transitional and on-going arrangements are suitable to ensure satisfactory performance of the new contract.	March 2014	Team Leader - Operations

### 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	20.12/13 LAND CHARGES				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.1.1	The Local Land Charges Register should be updated in a timely manner, once the notification has been received.	Medium	March 2013	Land Charges Officer	2	Implementation has been delayed due to lack of capacity. Resources have been focused on reducing the Searches backlog, which has been completed, and work is now focusing on the backlog in registration of agreements. <b>Recommendation restated.</b>
3.1.2	Approval should be obtained and retained on file to support the decision not to chase for the outstanding fee, if this is of a low value. An analysis of the income lost should be undertaken and be reported to management.	Medium	March 2013 to be in place for 2013/14 financial year	Land Charges Officer	3	Financial Regulations are to be followed, which allow for values up to £50 to be written off by the Service Manager without the need to be countersigned. No analysis of income lost has been prepared. <b>Recommendation restated.</b>

3.2	25.12/13 FOLLOW UP (FEBRUARY 2013)				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.2.1	<p><b>02.12/13 Contract Management - Ground &amp; Tree Maintenance</b></p> <p>When a service is retendered, the Council should ensure that resulting contract(s) is / are signed by all parties involved.</p>	High	March 2014	Property Development Manager	5	<p>Not Due to have been Implemented.</p> <p>A tender exercise for Ground and Tree Maintenance is in progress. Tenders have been received and are currently being evaluated.</p> <p>The new contract should be in place by the end of February 2014.</p> <p><b>Recommendation restated.</b></p>
3.2.2	<p><b>02.12/13 Contract Management - Ground &amp; Tree Maintenance</b></p> <p>While it may not be possible to change procedures for the remainder of the current contract, procedures should be changed so that the Contractor has to undertake the invoice preparation on a monthly basis and Grounds Maintenance staff should be responsible for checking the value each month as part of the payment authorisation process.</p>	Medium	February 2013	Team Leader - Operations	3	<p>Not Implemented.</p> <p>Procedures could not be changed within the current contract; consequently Grounds Maintenance staff are still preparing the invoice.</p> <p>This situation will be addressed when the new contract in place.</p> <p><b>Revised recommendation made.</b></p>
3.2.3	<p><b>02.12/13 Contract Management - Ground &amp; Tree Maintenance</b></p> <p>A program of scheduled inspections of work undertaken by the Contractor should be in place and followed, to ensure that there is an audit trail to evidence the monitoring that the work is being carried to an acceptable standard throughout the District.</p>	High	April 2013	Team Leader - Operations	2	<p>Being Implemented.</p> <p>There have been no changes made to current procedures; however the specifications for the tender have included additional requirements for reporting to allow inspections to be scheduled.</p> <p><b>Recommendation restated.</b></p>

3.2	25.12/13 FOLLOW UP (FEBRUARY 2013)				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.2.4	<p><b>11.12/13 Follow Up</b>  <b>29.11/12 Follow Up</b>  <b>37.10/11 ICT Resilience</b></p> <p>The Disaster Recovery arrangements with the external support provider should be formally rehearsed on an annual basis and an appraisal of each test undertaken.</p>	Medium	30 June 2013	ICTService Manager	1	<p>Implemented</p> <p>A dry run rehearsal Disaster Recovery workshop was undertaken in September, following which the disaster recovery contract equipment list was reviewed and the contract has now been renewed until October 2014.</p> <p>The contract and disaster recovery processes have been tested with a live replacement of the SAN (disk store) which affected around 100 servers.</p>
3.2.5	<p><b>16.12/13 NNDR</b></p> <p>The variances identified between the VOA Listing and the NNDR system should be investigated and resolved prior to the new system implementation. If there are known reasons for the variance these should be documented to provide a full audit trail.</p>	Medium	30 September 2012	Revenues & Benefits Service Manager	1	<p>Implemented.</p> <p>All variances had to be investigated and resolved before the data could be migrated to the new system.</p> <p>This migration was completed for 7 October 2012.</p> <p>The primary reason for differences was changes that had been made on the Council's system and notified to VOA, but the corresponding VOA Listing recognising the change on the VOA system has not yet been received.</p>

3.3	29.12/13 LEASEHOLDER RECHARGES				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.3.1	A check should also be undertaken to ensure each price up-lift has been calculated and applied correctly at the start of each new billing year.	Medium	May 2013	Income Team Coordinator	1	<p>Implemented.</p> <p>Annual bills for 2012/13 were confirmed to have been calculated using the correct percentage rate.</p>

3.4	30.12/13 EXCESS CHARGE NOTICES				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.4.1	Cancelled tickets were not always supported by evidence to justify the cancellation.	Medium	April 2013	Revenues Manager	4	Superseded. Car Parking Enforcement has been outsourced, and the Council is no longer responsible for the administration of Excess Charge Notices.
3.4.2	Excess Charge Notices were cancelled multiple times for the same vehicle.	Medium	-	-	4	Superseded. Car Parking Enforcement has been outsourced, and the Council is no longer responsible for the administration of Excess Charge Notices.
3.4.3	It cannot be confirmed that ECNs were written off after formal approval had been granted as the date of approval was not noted. Staff administering the 360 system on a day to day basis were not allocated unique user names and instead were all using the user account of 'BS'.	Medium	May 2013	Head of Finance	4	Superseded. Car Parking Enforcement has been outsourced, and the Council is no longer responsible for the administration of Excess Charge Notices.

## 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 high recommendations	Consideration of medium recommendations	Consideration of low recommendations
<b>Good</b>	75% +	None outstanding.	None outstanding.	All low recommendations outstanding are in the process of being implemented.
<b>Adequate</b>	51 - 75%	None outstanding.	75% of medium recommendations made are in the process of being implemented.	75% of low recommendations made are in the process of being implemented.
<b>Little</b>	30 - 50%	All high recommendations outstanding are in the process of being implemented.	50% of medium recommendations made are in the process of being implemented.	50% of low recommendations made are in the process of being implemented.
<b>Poor</b>	< 30%	Unsatisfactory progress has been made to implement high recommendations.	Unsatisfactory progress has been made to implement medium recommendations.	Unsatisfactory progress has been made to implement 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 (1)+(4)	No of recs carried forward for follow up at next review (2)+(3)+(5)
		Not due for implementation (5)	Implemented (1)	Implementation Ongoing (2)	Not Implemented (3)	Superseded (4)		
20.12/13 Land Charges	2	0	0	1	1	0	0	2
25.12/13 Follow Up (February 2013)	5	1	2	1	1	0	2	3
29.12/13 Leaseholder Recharges	1	0	1	0	0	0	1	0
30.12/13 Excess Charge Notices	3	0	0	0	0	3	3	0
<b>Total</b>	<b>11</b> <b>100%</b>	<b>1</b> <b>9%</b>	<b>3</b> <b>28%</b>	<b>2</b> <b>18%</b>	<b>2</b> <b>18%</b>	<b>3</b> <b>27%</b>	<b>6</b> <b>55%</b>	<b>5</b> <b>45%</b>

### Implementation Status of Recommendations by Category

Recommendation Category	Total No. of recs agreed.	Status of Recommendation					Audit work confirmed as completed or no longer necessary (1)+(4)	No of recs carried forward for follow up at next review (2)+(3)+(5)
		Not due for implementation (5)	Implemented (1)	Implementation Ongoing (2)	Not Implemented (3)	Superseded (4)		
High	2	1	0	1	0	0	0	2
Medium	9	0	3	1	2	3	6	3
<b>Total</b>	<b>11</b> <b>100%</b>	<b>1</b> <b>9%</b>	<b>3</b> <b>28%</b>	<b>2</b> <b>18%</b>	<b>2</b> <b>18%</b>	<b>3</b> <b>27%</b>	<b>6</b> <b>55%</b>	<b>5</b> <b>45%</b>

## Appendix C: Review of Completeness

### 2012/13 Reports Followed Up

Review	Total Number of Agreed Recommendations	Number of Recommendations Followed Up	Follow-up Report Reference
01.12/13 Follow-up (NNDR)	1	1	16.12/13
01.12/13 Follow-up (Cash & Banking)	1	1	17.12/13
01.12/13 Follow-up (Pool Cars)	1	1	25.12/13
02.12/13 Contract Management - Ground & Tree Maintenance	10	4*	25.12/13
03.12/13 Elections	4	0*	02.13/14
04.12/13 Licensing	1	1	02.13/14
05.12/13 Leases	6	6	02.13/14
06.12/13 Bookings System - Arts Centre	5	0 (Advisory)	25.12/13
07.12/13 Corporate Governance	1	1	25.12/13
08.12/13 Asset Management Plan	2	0*	25.12/13
09.12/13 Creditors & Procurement	5	2*	25.12/13
10 12/13 Repairs	11	9*	02.13/14
11.12/13 Follow Up	2	2	25.12/13
12.12/13 Rent Collection and Arrears	3	0*	25.12/13
13 12/13 Debtors	9	2*	02.13/14
14.12/13 Council Tax	1	1	25.12/13
15.12/13 Housing Benefit	2	1*	25.12/13
16.12/13 NNDR	4	2*	25.12/13
17 12/13 Cash and Banking	4	1*	02.13/14
18 12/13 Fire Risk Implications	3	0 (Advisory)	02.13/14
19 12/13 Payroll and Expenses	5	0*	02.13/14
20 12/13 Land Charges	4	2*	This Review
21 12/13 Refuse Collection (incl. Bulky Waste)	6	3*	10.13/14
22 12/13 Programme Management	4	0*	This Review
23 12/13 Green Waste Charges	2	0*	This Review
24 12/13 Welham Street Car Park	0	0 (Advisory)	This Review
25.12/13 Follow Up (Pool Cars)	1	1	01.13/14
25.12/13 Follow Up (Excluding Pool Cars)	5	5	This Review
26.12/13 General Ledger / Main Accounting	0	0	This Review
27.12/13 Vehicle Servicing	11	0 (Advisory)	This Review
28.12/13 Risk Management	2	0 (Advisory)	This Review
29.12/13 Leaseholder Recharges	3	1*	This Review
30.12/13 Excess Charge Notices	4	3*	This Review

\* As per the agreement with management, only those recommendations categorised as High and Medium have been followed up. 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 2012/13.

### 2012/13 Reports Yet To Be Followed Up

Review	Total Number of Agreed Recommendations	Number of Recommendations To Be Followed Up	Follow-up Report Reference
31.12/13 Flexible Working Arrangements	6	3*	N/A
32.12/13 Data Security - Policy and Training	2	2	N/A
33.12/13 Review of Allegations - Process Mapping	0	0 (Advisory)	N/A

### 2013/14 Reports To Be Followed Up

Review	Total Number of Agreed Recommendations	Number of Recommendations To Be Followed Up	Follow-up Report Reference
01.13/14 Pool Cars	7	4*	N/A
02.13/14 Follow Up	1	1	N/A
03.13/14 Corporate Governance	2	0*	N/A
04.13/14 Code of Conduct and Register of Interests	1	0*	N/A
05.13/14 Fleet Management	6	3*	N/A
06.13/14 Disabled Facilities Grants	1	0*	N/A
07.13/14 Car Parks (Enforcement)	7	4*	N/A
08.13/14 Income Collection	3	0*	N/A
09.13/14 Leisure Management Contract	4	3*	N/A
10.13/14 Waste and Recycling	6	4*	N/A
11.13/14 Reactive Repairs and Maintenance	5	1*	N/A
12.13/14 Stamford Car Parking Income	Only at Draft Stage	0 (Advisory)	N/A

\* As per the agreement with management, only those recommendations categorised as High and Medium have been followed up. 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 2012/13.

# Agenda Item 8



## **South Kesteven District Council**

Internal Audit Plan 2014/15

Audit Committee meeting: 21 November 2013

## Introduction

The Internal Audit Strategy for 2013/14 to 2015/16 and the detailed Annual Plan for 2013/14 was approved by the Governance and Audit Committee on 14 March 2013.

Details of the Internal Audit Strategy are shown in Appendix A.

## Role 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.

*(Definition of Internal Audit: Chartered Institute of Internal Auditors)*

From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.

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 Council has in place focusing in particular on how these arrangements help South Kesteven District Council to achieve its objectives. The opinion may also be used by the S151 Officer to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Governance and Audit Committee.

## Developing the internal audit plan 2014/15

The Council's objectives are the starting point in the development of our internal audit plan.

In determining the internal audit plan for 2014/15, we will consider the Internal Audit Strategy (as shown in Appendix A) and also take into account the internal audit work completed in previous years with emphasis on those auditable areas where the Council "cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective" (i.e. Red reports).

Appendix A reflects the range of potential issues that may affect the Council. These will be used to focus our conversations along with the Council's assurance priorities with the senior management team on where our work would be most effective.

In preparing the internal audit plan for 2014/15 we will meet with:

- All Heads of Service;
- Governance & Risk Officer;
- Head of Finance; and
- Strategic Directors.

### Working with other assurance providers

We intend to meet with the Authority's External Auditors to confirm the scope of the work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2014/2015.

The Governance & Audit Committee are reminded that internal audit use only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes at the Council. We will however seek to work closely with other assurance providers, such as External Audit, to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

## Considerations for the Governance & Audit Committee

Prior to meeting Council officers to discuss the audit work for 2014/15, we require the Governance & Audit Committee to consider the auditable areas shown in Appendix A (specifically those shown for 2014/15) and provide their views/feedback. In doing so, Governance & Audit Committee should consider the following:

- Does the internal audit plan (as set out at Appendix A) cover the organisation's key risks as they are recognised by the Governance & Audit Committee?
- Is the Committee satisfied that sufficient assurances are being received by the Council to monitor the organisation's risk profile effectively, including any emerging issues/key risks not included in our annual plan?

Members to review the audit plan for 2014/15 (Appendix A) and recommend any changes.

## APPENDIX A: STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16

## Risk Based Assurance

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>CORPORATE FOCUS</b>				
<b>Finance</b>				
<b>Corporate Governance</b>	<b>Scheme of Delegation, Financial Regulations and information presented to management does not enable informed decision making.</b>	✓	✓	✓
<b>Risk Management</b>	<b>The Council does not have a clear methodology in place for identifying, assessing and mitigating key risks.</b>	✓	✓	✓
<b>Bourne Community Access Point</b>	<b>Controls in place at Bourne CAP are not in line with other areas of the Council.  Adequate policies and procedures have not been developed.</b>	✓		
<b>Insurance</b>	<b>Inadequate insurance arrangements are in place, leading to financial and reputational loss.  Value for money is not obtained with regards to insurance services.</b>		✓	✓
<b>Housing Benefit</b>	<b>Changes to legislation have not been acted upon.  Claims are not processed in line with legislation and internal policies which may lead to inaccurate payments being made and customer dissatisfaction.</b>		✓	✓
<b>Benefits Fraud Investigation</b>	<b>Failure to investigate allegations of potential fraud in line with legislation and Council policy.  Sanctions are not imposed on benefit claimants who have committed an offence.</b>	✓		

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>Medium Term Financial Strategy</b>	<p>The Financial Strategy has not been developed appropriately and is not being adhered to.</p> <p>The Strategy does not support the financial objectives of the Council.</p>	✓		
<b>Pool Cars</b>	<p>Pool cars are not being utilised by employees in line with Council policy.</p> <p>The booking system is not effective.</p>	✓		✓
<b>Council Tax</b>	<p>Failure to raise accurate demand notices to liable parties and apply discounts and exemptions in line with legislation and internal policies.</p> <p>The annual billing deadline is not met.</p> <p>Low collection rates.</p>		✓	
<b>NNDR</b>	<p>All hereditaments within the District have not been identified with bills raised in a timely manner in line with legislation and internal policies.</p> <p>Reliefs and exemptions are granted inappropriately.</p>		✓	
<b>Anti-Fraud &amp; Corruption</b>	<p>Failure to develop and adhere to adequate policies and procedures to ensure compliance with the Bribery Act.</p>			✓
<b>Income Collection</b>	<p>All income due to the Council is not identified and collected.</p> <p>Monitoring of income is not undertaken.</p>	✓		✓
<b>Information Technology</b>	<p>The provision of the IT service is not fit for purpose.</p>	✓	✓	✓
<b>Service Level Agreements</b>	<p>Service Level Agreements have not been agreed by both parties and do not protect the interest of the Council.</p>		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>CORPORATE FOCUS</b>				
<b>People, Projects &amp; Performance</b>				
Performance Management	Failure to integrate new localised performance framework together with local measures linked to priority actions.		✓	
Absence Management	Arrangements have not been put in place to cover the move from annual to flexi hours. Potential 'problem areas' are not identified and action taken. High levels of sickness absence in areas may impact on the ability to deliver services.	✓		
Customer Services	Failure to meet customer demand. Failure to implement service review recommendations.			✓
Consultation and Communications – Stakeholder Contact	Central services are not being used in the required manner, e.g. the use of centralised advertising budgets.	✓		
<b>CORPORATE FOCUS</b>				
<b>Property Development</b>				
Leases	Leases have not been identified and granted in line with policies and procedures. Leases are issued or renewed without receiving appropriate authorisation. Expired leases or those nearing expiry date or not identified with action being taken.	✓		✓

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>Building Control</b>	<p>The merger of the service has not been assessed and monitored.</p> <p>Inability to deliver service standards expected in a competitive market.</p> <p>Failure to comply with Building Regulations which may result in compensation claims or threats to reputation.</p>		✓	
<b>Asset Management Plan</b>	<p>A defined Asset Management Strategy has not been documented to assist the Council in achievement of its objectives.</p> <p>Assets have not been identified and accurately recorded.</p> <p>Authorisation is not received prior to assets being written off or disposed of or loss and thefts are not reported.</p> <p>The Asset Management software is not fit for purpose.</p>	✓		
<b>Contract Management - Ground &amp; Tree Maintenance Contract</b>	<p>A robust maintenance service for Grounds and Tree is not provided through the contract.</p> <p>Quality inspections are not undertaken to provide assurance over the quality of work.</p> <p>Contract monitoring is not undertaken.</p>	✓		
<b>Car Parks (Enforcement)</b>	<p>Car parks are not effectively managed and controlled and income is not accounted for.</p> <p>APCOA contract and enforcement procedures are not monitored.</p>	✓		✓
<b>CORPORATE FOCUS</b>				
<b>Legal &amp; Democratic Services</b>				
<b>Elections</b>	<p>The electoral register is not maintained up to date.</p> <p>Legislation is not complied with during election time.</p>			✓

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
<b>Members Allowances &amp; Expenses</b>	<p><b>Council Policy is not complied with and expenditure is nor monitored and controlled.</b></p> <p><b>Members Allowances are not published in line with legislation.</b></p>	✓		
<b>Code of Conduct and Register of Interests</b>	<p><b>The Code of Conduct has not been reviewed.</b></p> <p><b>The register of interests is not up to date and declarations are not made.</b></p>	✓		
<b>COMMUNITY &amp; ENVIRONMENT FOCUS</b>				
<b>Environmental Services</b>				
<b>Licensing</b>	<p><b>The Licensing Act is not complied with.</b></p> <p><b>Licenses are issued without the correct review and authorisation and expired licences are not promptly detected.</b></p> <p><b>Income is not monitored and collected prior to issue of licences.</b></p>	✓		
<b>Community &amp; Anti-Social Behaviour</b>	<p><b>Failure to comply with current legislation – Crime and Disorder Act.</b></p> <p><b>Inability to reduce community crime and anti-social behaviour – lack of funding.</b></p>			✓
<b>CCTV</b>	<p><b>The use of CCTV contravenes legislation e.g. the data protection act.</b></p> <p><b>Loss of funding available impacting on the provision of the service.</b></p>		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Waste & Recycling	<p>Potential health &amp; safety non-compliance leading to reputational risks and insurance claims.</p> <p>Employees have not been adequately trained to perform their duties.</p> <p>Risks and hazards associated with the service have not been identified and monitored.</p> <p>Service performance is not monitored.</p>	✓		✓
Fleet Management	The Council fleet is not maintained to a suitable standard.	✓		✓
Street Cleansing	There is a failure in operational performance leading to complaints from residents.		✓	
Environmental Health – Foods Establishments	Food establishments are not monitored to ensure that they comply with food hygiene standards.			✓
Disabled Facilities Grants	<p>Grants have been awarded without the appropriate review and authorisation.</p> <p>Funding for grants is reduced impacting on the ability to assist in disabled adaptations.</p>	✓		
<b>COMMUNITY &amp; ENVIRONMENT FOCUS</b>				
<b>COMMUNITY ASSETS</b>				
Leisure Management Contract	<p>Failure to deliver service due to underperformance of the contract.</p> <p>The contract is not monitored and action taken to improve standards should this be required.</p>	✓		✓

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Arts Centre	<p>The Arts Centres are not utilised as they are not advertised and promoted with meaningful information being provided to the general public.</p> <p>Services have not been costed correctly leading to a loss of income to the Council.</p>		✓	
Repairs and Maintenance	Repairs are not identified and undertaken in a timely manner resulting in the Council being exposed to a higher risk of potential insurance claims from members of the public.	✓		
Planned & Cyclical Maintenance & Capital Programme	<p>Failure to deliver capital programme and monitor the associated costs.</p> <p>A cyclical maintenance strategy has not been developed and costs identified.</p>		✓	
Contract Management	Competent contractors have not been appointed and contract performance is not monitored.		✓	
<b>COMMUNITY &amp; ENVIRONMENT FOCUS</b>				
<b>Housing &amp; Neighbourhoods</b>				
Supporting People (including Lifeline and Care Services)	Loss of the supporting people contract.		✓	
Allocations and Lettings (including Void Management)	<p>Lettings are not dealt with consistently and in line with policy.</p> <p>Void properties are not managed to ensure there are processed and re-let as soon as is possible.</p>	✓		✓
Resident Involvement	<p>Dissatisfied tenants through service failure and lack of consultancy with tenants.</p> <p>Lack of service improvements.</p> <p>No tenant participation and involvement.</p>		✓	

Auditable Areas	Potential Risks to the area/system	2013/14	2014/15	2015/16
Homelessness	<p>Failure to meet statutory obligations under the Homelessness Act.</p> <p>Inability to respond to housing requests from the homeless.</p> <p>Lack of emergency housing.</p>			✓
<b>DEVELOPMENT &amp; GROWTH FOCUS</b>				
<b>Development &amp; Growth</b>				
Economic Development	<p>Failure to identify roles and responsibilities and allocate resources.</p> <p>Poor communication with external Stakeholders.</p> <p>Projects are unsuccessful due to poor project management and control of funding.</p>	✓		
Planning	<p>Planning applications are not processed in line with legislation and Council policy.</p>	✓	✓	
Conservation	<p>An up to date conservation register is not maintained.</p> <p>Laws and legislation applicable to conservation are not adhered to.</p>		✓	

#### Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2013/14	2014/15	2015/16
General Ledger/Main Accounting System	External audit will place reliance on our work to inform their audit.		✓	
Budgets			✓	✓
Creditors & Procurement			✓	✓
Treasury Management		✓	✓	✓
Income & Debtors			✓	
Payroll & Expenses		✓	✓	
Cash & Banking		✓	✓	✓

## Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Contingency	To allow for additional audits to be undertaken at the request of the Audit Committee or management based on changes in assurance needs as they may arise during the year.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> <li>▪ Annual planning</li> <li>▪ Preparation for, and attendance at, Audit Committee meetings</li> <li>▪ Regular liaison and progress updates</li> <li>▪ Liaison with external audit</li> <li>▪ Preparation of the annual internal audit opinion</li> </ul>	✓	✓	✓

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, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole in part, without our written 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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The term "partner" is a title for senior employees, none of whom provide any services on their own behalf.

Baker Tilly Business Services Limited (04066924) is registered in England and Wales. Registered office 25 Farringdon Street, London, EC4A 4AB.

# Agenda Item 9



## South Kesteven District Council

Internal Audit Charter

21 October 2013

# 1 The Internal Audit Charter

- 1.1 This Charter establishes the purpose, authority and responsibilities for the internal audit service for South Kesteven District Council.
- 1.2 The internal audit service is provided by Baker Tilly Business Services Ltd. Your key internal audit contacts are as follows:

	Head of Internal Audit	Client Manager
Name	Chris Williams	Rob Barnett
Telephone	07753584993	07791237658
Email address	Chris.williams@bakertilly.co.uk	Robert.barnett@bakertilly.co.uk

- 1.3 The Charter has been prepared in order to support an effective internal audit service and to meet the requirements of Professional Internal Auditing Standards and Baker Tilly’s Internal Audit Manual.
- 1.4 An overview of the process for an individual internal audit assignment is included at Appendix A to this Charter.

# 2 Role and Definition of Internal Audit

“Internal Audit 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 introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes.”

*Public Sector Internal Audit Standards*

- 2.1 Internal Audit is a key part of the assurance cycle for South Kesteven District Council and, if used appropriately, can assist in informing and updating the risk profile of the organisation. Internal Audit provides management with assurance on whether the organisation’s risk management, control and governance processes are adequate and operating effectively.
- 2.2 As a public sector organisation, South Kesteven District Council is required to have an internal audit service in place which conforms with the Public Sector Internal Audit Standards which come in to effect from 1 April 2013.

### 3 Independence and Ethics

- 3.1 To provide for the independence of Internal Audit, its personnel report direct to the Head of Internal Audit. The independence of the Head of Internal Audit is assured by him reporting to the Head of Finance, with further reporting lines to the Strategic Director (Corporate Focus) and Chairman of the Governance & Audit Committee.
- 3.2 The Head of Internal Audit has unrestricted access to the Chairman of the Governance & Audit Committee, to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

### 4 Responsibilities

- 4.1 The Head of Internal Audit has a responsibility to:
- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Governance & Audit Committee for review and approval each year before work commences on delivery of that plan.
  - Implement the audit plan as approved, including any additional tasks requested by management and the Governance & Audit Committee.
  - Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.
  - Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
  - Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
  - Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
  - Evaluate and assess significant merging or consolidating functions and new or changing services, processes, operations within the organisation.
  - Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
  - Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
  - Provide a list of significant measurement goals and results to the Governance & Audit Committee.
  - Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.

### 5 Reporting

- 5.1 The Head of Internal Audit shall issue progress reports to the Governance & Audit Committee and management summarising outcomes of audit activities, including follow up reviews. These will be presented at every the Governance & Audit Committee meeting.
- 5.2 As your internal audit provider, the assignment opinions that Baker Tilly Business Services Ltd provides the organisation during the year are part of the framework of assurances that assist the Board in preparation of an informed statement on internal control.

5.3 As the provider of the internal audit service to South Kesteven District Council we are required to provide the Accounting Officer an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Board is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The annual opinion will be provided to the organisation by Baker Tilly Business Services Ltd at the financial year end.

## 6 Authority

6.1 The Head of Internal Audit and internal audit staff are authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Governance & Audit Committee.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall audit objectives.
- Obtain the required assistance from personnel within the organisation where audits will be performed, including other specialised services from within or outside the organisation.

6.2 The Head of Internal Audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.
- Direct the activities of any employee not employed by Baker Tilly Business Services Ltd unless specifically seconded to internal audit.

## 7 Data Protection

7.1 Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support our findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so. We are authorised as providers of internal audit services to our clients (through the firm's Terms of Business and our engagement letter) to have access to all necessary documentation from our clients needed to carry out our duties.

7.2 Personal data is not shared outside of Baker Tilly. The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where the firm has a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).

7.3 Baker Tilly has a Data Protection Policy in place that requires compliance by all of our employees. Non-compliance will be treated as gross misconduct.

## 8 Fraud

- 8.1 The Governance & Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Governance & Audit Committee recognises that internal audit is not responsible for identifying fraud; however it will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

Signature \_\_\_\_\_ Date \_\_\_\_\_

**Councillor Ian Stokes**  
Chairman of the Governance & Audit Committee

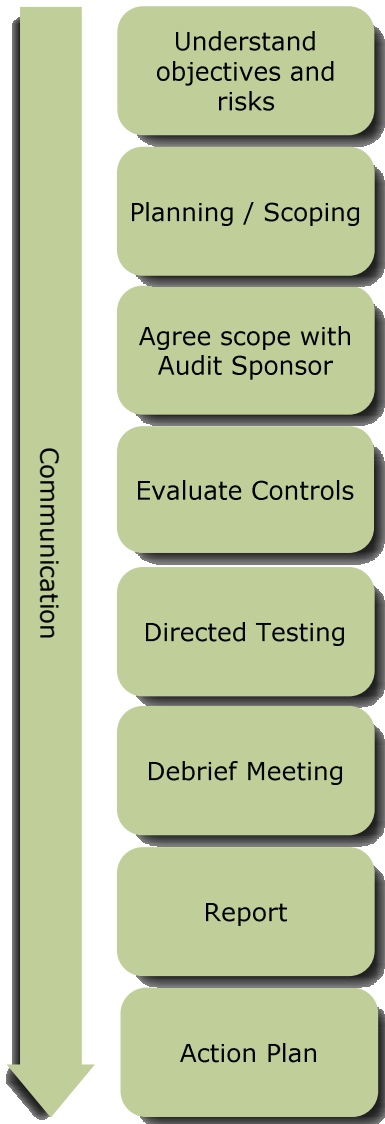
Signature \_\_\_\_\_ Date \_\_\_\_\_

**Daren Turner**  
Strategic Director (Corporate Focus)

Signature \_\_\_\_\_ Date \_\_\_\_\_

**Chris Williams**  
Head of Internal Audit, Baker Tilly Business Services Ltd

Appendix A: Overview of the Internal Audit Process



**Planning the Assignment**

Each audit will be planned individually to ensure that the scope addresses the risks facing your organisation, and is therefore a useful source of assurance, providing assurance on the controls that you rely on to manage your risks and deliver your objectives. We will meet with appropriate staff to understand the area under review and will then send you an Assignment Planning Sheet for your comment and sign off, so that we can discuss and agree the scope of each review; this provides the Audit Sponsor with an opportunity to comment on the scope of each audit. We will agree the audit date at the start of the year and you will receive a planning sheet at least two weeks before the audit commences.

**Undertaking the Audit**

Once the scope has been agreed, our audit fieldwork is carefully planned to ensure that we thoroughly test the right controls. Should we identify any major issues during the audit, we will bring these to the attention of management straight away. We will keep you informed through the audit, and our team will be happy to answer any questions you may have. We will provide a list of information we will need when we issue the planning sheet so that you can prepare for the audit.

**Reporting our Findings**

Before the internal audit team leaves site, we will hold a debrief meeting to discuss our findings and recommendations with you.

Therefore, there will be no surprises when you receive the draft internal audit report, and you have an opportunity to comment on the report before it is issued for wider circulation.

Each formal assurance report will contain a clear opinion, so you know instantly if your risk management of this area is effective.

**Agreeing Actions for Improvement**

Every internal audit report contains an action plan which is completed by management. Once the action plan is completed the report is issued as a final report. This provides Governance & Audit Committee with a clear view of management’s response to each recommendation, and also enables recommendation tracking. We will undertake follow up work to provide the Governance & Audit Committee with an overview of progress in implementing actions that management have agreed.

## REPORT TO GOVERNANCE AND AUDIT COMMITTEE

**REPORT OF: HEAD OF FINANCE**

**REPORT NO: HOF 255**

**DATE: 21<sup>st</sup> November 2013**

<b>TITLE:</b>	<b>Treasury Management Activity 2013/14 – Mid Year Review</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Mike Taylor Resources and Assets Portfolio Holder	
<b>CONTACT OFFICER:</b>	David Scott, Finance Support Manager 01476 406218 Email: <a href="mailto:d.scott@southkesteven.gov.uk">d.scott@southkesteven.gov.uk</a>	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	HOF225 - Budget Council  The above reports can be located by putting their reference number in the search section of the committee website via the link below: <a href="http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1">http://moderngov.southkesteven.gov.uk/ieDocSearch.aspx?bcr=1</a>	

### 1. RECOMMENDATION

Members are asked to note the mid-year activity position of 2013-14 (April 2013 to September 2013)

### 2. PURPOSE OF THE REPORT

**Treasury Management** is the term used to cover the Council's borrowing and investment strategies. The Council has formally adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services. In line with the Code the Council has adopted a treasury management policy statement that requires regular reports on treasury and debt management operations during the financial year.

Additionally, under Part 1 of the Local Government Act 2003, the Council is required to have regard to the Prudential Code for Capital Finance including the setting of Prudential Indicators. Relevant treasury management indicators were incorporated into the Treasury Management Strategy 2013/14 approved by Council on 1<sup>st</sup> March 2013.

This report is submitted in accordance with these requirements and provides a review of treasury management for the period ended 30 September 2013 and reviews current developments.

The CIPFA Treasury Management Panel promotes the view that Council's monitor performance at least half yearly. In addition to this, a report by the Audit Commission entitled 'Risk and Return' identifies the need for Local Authorities to report regular to members in addition to the annual review.

### **3. DETAILS OF REPORT**

This report sets out the following for the 6 month period from 1 April to 30 September 2013:

- a. A review of debt management operations;
- b. A review of investment operations;
- c. A summary of interest rate movement and investment performance; and
- d. An update on the treasury management Prudential Code Indicators.

#### DEBT MANAGEMENT OPERATIONS

##### Long Term Borrowing

No additional long term borrowing was required during Quarter 2. All Council borrowing is with the Public Works Loans Board (PWLB). The average rate of interest paid on the debt portfolio was 2.93%. Appendix A is a schedule of loans outstanding at 30 September 2013. At the point in time when some of the PWLB loans were taken these do appear high in the context of today's interest rates. The overall average is greatly reduced following the HRA self financing arrangements which was taken at a much lower rate. Regular reviews are undertaken to review redemption costs of natural maturity against new borrowing to settle the outstanding debt early. Currently, it is not cost effective to settle early but the position continues to be reviewed in conjunction with our Treasury Management advisors. As part of borrowing requirements around the HRA self financing proposals the Council has created two separate debt portfolios which apportion the existing debt above between the General Fund and HRA.

### Short-Term/Temporary Borrowing

This can be defined as borrowing which is due to be repaid within 364 days. One loan was repaid during the reporting period of £0.500m.

### INVESTMENT OPERATIONS

The average size of the investment portfolio for the 6 month period was £42.8 million compared to an average portfolio size of £39.6 million during the same period in 2012/13. These cash balances are used for investment, which include balance sheet reserves and provisions, unapplied capital receipts and grants and also cash arising from the timing of large receipts and payments.

#### Investment Activity in the period ended 30 September 2013

The Council uses a number of methods to invest its reserves which include direct deposit and money market funds. A schedule of investments at 30 September 2013 can be found at Appendix B.

As at 30 September 2013 the Council held short term investments of £28.4 million, and £10 million long term investment. The Treasury Management Strategy stipulates that the Council should hold not more than 25% of investments as long term and this was adhered during the first half of 2013/14.

Short Term Fixed Deposits – In the period ended 30 September 2013 short term fixed deposits were made on 2 occasions for £4 million. £38.4 million of deposits were being lent out as at 30 September 2013.

Service Investments – In July 2012 a fixed rate deposit of £1 million was placed with Lloyds TSB for a period of 5 years at 3.79% for the Local Authority Mortgage scheme (LAMS). As at 30<sup>th</sup> September 2013, 29 loans have been completed with an indemnity amount of £841,646. At the Council meeting in July 2013 a further £1M was approved to support the scheme and the maximum loan size per application was increased to £147,250 in order to increase the take up of the scheme in the PE9 area.

### Economy Background

In the UK, the Bank of England August 2013 Inflation reports a weaker inflation outlook, expected to reach target rate by Q3 of 2015 and remain below 2% for the rest of the forecast period. The economy continued to show positive growth in Q2 2013 at 7%. The Chancellors Budget downgraded forecasts of GDP growth in 2013 and 2014 to 0.6% and 1.8% respectively. Public Sector net Borrowing forecasts were raised and total debt as a percentage of GDP would not now start falling until 2014/18.

The loss of the UK's 'triple A' credit rating by Moody's and Fitch did not come as much of a shock to the markets but emphasised the lack lustre performance of the economy. Much of the UK GDP is dependent on overseas trade; high correlation of UK growth to

US and EU GDP growth means that the UK economy is likely to register weak growth in the next two years. Consumers are likely to remain focused on paying down debt; weak consumer sentiment and job security fears will all act to keep consumer expenditure suppressed. The coalition government have been hampered in promoting growth by the need to tackle the budget deficit and there has been little sign of a coordinated strategy for the private sector to finance a major expansion of infrastructure investment to boost UK growth.

Alongside Eurozone concerns, there is potential for even more QE to keep gilt yields suppressed during the next twelve months. The Monetary Policy Committee has kept Bank Rate at 0.5% throughout the period while quantitative easing was increased by £50bn to £375bn in July.

#### Expected future activity

Q2 UK GDP displayed further growth in the economy, rising 0.7%, following the revised 0.4% rise in Q1. Compared with a year ago, output was 1.3% higher and better than the original estimate. Growth was attributed to net trade which provided a significant boost for Q2.

#### TREASURY MANAGEMENT PRUDENTIAL CODE INDICATORS

Prudential Code indicators specific to treasury management are designed to ensure that treasury management is carried out in accordance with professional practice. Indicators for 2012/13, 2013/14 and 2014/15 were approved by Council in March 2013 as part of the Treasury Management Strategy 2013/14.

The 2013/14 indicators and actual figures for the 6 months to 30 September 2013 are set out at Appendix C. All investment activity has been maintained within the indicator limits.

#### **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)**

There are no high risks associated with this report.

#### **7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

None

## **8. CRIME AND DISORDER IMPLICATIONS**

None

## **9. COMMENTS OF FINANCIAL SERVICES**

The financial implications are laid out in the main body of the report. The detail presented is in line with best practice and current guidance.

## **10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

This report provides details of the Council's performance in respect of treasury management against the policy set out as part of the Budget and Policy Framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management strategy.

## **11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

None

## **12. APPENDICES:**

A – Debt Maturity Analysis

B – Investment Maturity Analysis

C – Treasury Management Prudential Indicators

## APPENDIX A

### Debt Maturity Analysis

#### Public Works Loan Board

<b>Maturing within</b>	<b>At 30 Sept 2013 £</b>	<b>Interest rate %</b>	<b>Maturity Date</b>
Under 12 months	500,000.00	10.500	09-Nov-13
12 months to 2 years	500,000.00	10.875	09-May-15
2 to 5 years	500,000.00	9.000	09-May-17
	500,000.00	9.125	09-Nov-17
5 to 10 years	25,000,000.00	1.990	27-Mar-20
Over 10 years	91,819,399.99	3.030	28-Mar-42
<hr/>			
Total	118,819,399.99	2.926	(average rate)

## APPENDIX B

### Investment Maturity Analysis

#### Schedule of Managed Cash Funds

	<b>As at 30 Sept 2013</b>	<b>Average interest rate</b>
	<b>£</b>	<b>%</b>
<u>Short term investment</u>		
Natwest SIBA	4,000,000.00	0.800
Natwest 95 Day Notice	4,000,000.00	0.500
RBS Global Treasury Fund	nil	variable
Federated Prime Rate MMF	3,403,500.00	variable
Insight £ LQF	nil	variable
Ignis Liquidity Funds	5,000,000.00	variable
BNP Paribas MMF	nil	variable
Certificates Of Deposit	nil	
Short term Investment	12,000,000.00	1.115
<u>Long term investment</u>		
Lloyds TSB	10,000,000.00	1.74
<hr/>		
Total	38,403,500.00	1.04
<u>Service Investment</u>		
Lloyds TSB - LAMS	1,000,000.00	3.790

## **APPENDIX C**

### **TREASURY MANAGEMENT PRUDENTIAL CODE INDICATORS**

Treasury Management Prudential Indicators and Limits on Activity for South Kesteven District Council.

Treasury Management Indicators – Comparison for 2013/14 estimate to actual position for the 6months to 30 September 2013.

#### **Maturity Structure of borrowing – upper and lower limits**

**Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate**

	Upper Limit %	Actual Limit %
Under 12 months	40	1.8
12 months and within 24 months	40	2.7
24 months and within 5 years	100	9.4
5 years and within 10 years	100	34.6
10 years and above	100	51.5

Maturity structure of borrowing – these gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

Total principal funds invested for greater than 364 days. These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

#### **External debt indicators**

##### **Authorised limit for external debt**

	2013-14 £'000	Actual To date £'000
Borrowing	139,652	128,956
Other long term liabilities	0	0
<b>Total</b>	<b>139,652</b>	<b>128,956</b>

The authorised limit – this represents the limit beyond which borrowing is prohibited, and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

## Operational boundary for external debt

	2013-14 £'000	Actual To date £'000
Borrowing	124,191 *	128,956
Other long term liabilities	0	0
<b>Total</b>	<b>124,191</b>	<b>128,956</b>

\* Average of 2012-13 + 2013-14

The operational boundary – this indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

## REPORT TO GOVERNANCE AND AUDIT COMMITTEE

**REPORT OF: HEAD OF FINANCE**

**REPORT NO: HOF260**

**DATE: 21 November 2013**

<b>TITLE:</b>	<b>Risk Management Update – Corporate Risk Register</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	None	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Mike Taylor Well Run Council Portfolio Holder	
<b>CONTACT OFFICER:</b>	David Scott Finance Support Manager (Finance and Risk) <a href="mailto:d.scott@southkesteven.gov.uk">d.scott@southkesteven.gov.uk</a> Tel: (01476) 406218	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
<b>Equality and Diversity</b>	N/A	No
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>		

### 1. RECOMMENDATION

The Governance & Audit Committee is requested to review and accept the latest version of the Corporate Risk Register.

### 2. PURPOSE OF THE REPORT

One of the key areas for the Committee as part of its terms of reference is to monitor and review the risk management arrangements in place and activities undertaken. These include reviewing the Corporate Risk Register.

### 3. DETAILS OF REPORT

The Committee last reviewed the Corporate Risk Register at its meeting on 14 March 2013. In order to ensure the risk register is up to date and fit for purpose for the current environment, a recent review has been undertaken in conjunction with Heads

of Services and Senior Management to refresh existing risks to ensure they remain relevant and identify any other emerging risks. Consideration and review of the Corporate Risk Register is undertaken at the Performance and Programme Board quarterly. The resulting and updated Corporate Risk Register can be found at Appendix B. Whilst this hasn't resulted in any new risks being included there are number of updates which have been made, these are:

- ***Failure to deliver against the Grantham Growth priorities*** – updated to include mitigation measure of lobbying Central Government policy makers.
- ***Failure to identify and implement actions to support the community and businesses to minimise the effects of the economic downturn*** – a number of additional causes have been identified including economic uncertainty, insufficient funding for public sector interventions and failure to respond positively to opportunities as they arise. The controls have also been revised.
- ***Failure to recruit, retain and develop staff to an acceptable standard*** – additional consequence identified of low turnover, additional controls identified as People Strategy is being developed for whole organisation and the Behavioural Framework is now in place.
- ***Failure to integrate new localised performance framework together with local measure linked to priority actions*** – additional cause identified of inability to manage underperformance. Given the number of controls that are now in place, the 'Likelihood' has been changed to 'Unlikely' resulting in a Low Risk categorisation overall.
- ***Failure to keep the public and parishes informed on Council priorities and issues*** – Given the number of improvements in communication methods including Parish newsletter, the formation of the citizens panel and regular issuing of SKToday, the 'Likelihood' has been changed to 'Unlikely' resulting in a Low Risk categorisation overall.

#### **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)**

None

#### **7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

None

**8. CRIME AND DISORDER IMPLICATIONS**

None

**9. COMMENT OF FINANCIAL SERVICES**

These are contained within the report.

**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.

**11. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

None

**12. APPENDICES:**

Appendix A – Corporate Risk Register – November 2013

## Appendix B – Corporate Risk Register

Report Type: Risks Report  
 Report Author: Tracey Elliott  
 Generated on: November 2013



Risk Ref	Risk Type	Risk (the risk is that...)	Cause (... would cause the risk to occur)	Consequences of uncontained risk (time, cost etc)	Mitigation measures to reduce effect of risk	Impact	Likelihood	Residual Risk Score	Actions
1	Financial	<b>A sustainable Medium Term Financial Plan (MTFP) is not achieved</b>  Head of Finance	<ul style="list-style-type: none"> <li>Changes to formula grant distribution methodology (Non Domestic Rate)</li> <li>Localisation and introduction of Council Tax support</li> <li>Collection rates being affected by welfare reform</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in and ability to collect income due to the authority could compromise the delivery of council priorities</li> </ul>	<ul style="list-style-type: none"> <li>Scenario planning in order to model potential national changes</li> <li>MTFP underpinning delivery of corporate plan in order to ensure priority actions are deliverable and affordable</li> </ul>	3 Major	2 Possible	6 Medium	<ol style="list-style-type: none"> <li>Updated MTFP for the next 5 years detailing actions in order to maintain a sustainable financial position</li> <li>Delivery of transformational programme with key actions aimed at ensuring annual balanced budget and medium term financial sustainability</li> </ol>
2	Partnership	<b>There is a loss of partnerships/ Service Level Agreements (SLA), income or grant funding</b>	<ul style="list-style-type: none"> <li>Ongoing projects or priority plans which have a dependency on external financial support</li> </ul>	<ul style="list-style-type: none"> <li>Resource issues to deliver partnership driven projects or increase in financial pressures</li> </ul>	<ul style="list-style-type: none"> <li>Keep abreast of Government plans and ensure coordinated and managed approach</li> <li>Ensure regular monitoring of SLA's, partnerships and funding</li> <li>Ensure performance information is regularly monitored, reviewed and reported</li> <li>Ensure effective communication and regular liaison with partners, funding bodies and staff etc</li> </ul>	3 Major	2 Possible	6 Medium	<ol style="list-style-type: none"> <li>Develop and implement governance structure utilising Bridge toolkit methodology</li> <li>Regularly review performance and actions of partnerships and identify risks when necessary</li> </ol>
3	Economic	<b>Failure to deliver against the Grantham Growth priorities</b>  Growth & Business Investment Manager	<ul style="list-style-type: none"> <li>Economic uncertainty</li> <li>No tradition as an office market location</li> <li>Failure to respond positively to opportunities as they arise</li> <li>Insufficient funding for public sector interventions</li> <li>Failure to secure land through Compulsory Purchase Order process</li> </ul>	<ul style="list-style-type: none"> <li>Out-migration of businesses to alternative locations</li> <li>Lost opportunity for inward investment and growth of indigenous companies</li> <li>Loss of market share in retailing</li> <li>Difficulty in selling Grantham as a retail destination to investors and shoppers</li> <li>Unemployment</li> <li>Continued search for modern office market in the town centre</li> <li>Town centre congestion</li> </ul>	<ul style="list-style-type: none"> <li>Ensure key projects are realistically assessed having regard to funding and local economic/ market factors</li> <li>Lobby Central Government Policy makers</li> <li>Ensure views of key partners and stakeholders are sought</li> <li>Provide targeted support to projects</li> <li>Provide a framework to set out opportunities in the town centre</li> <li>Planning framework via Core Strategy and associated documents</li> </ul>	3 Major	2 Possible	6 Medium	<ol style="list-style-type: none"> <li>Seek funding opportunities</li> <li>Promote town centre through events and festivals</li> <li>Continue investment in public realm to improve attractiveness of the town centre</li> <li>Marketing opportunities for investment in Grantham and provide Development Team to assist enquiries</li> <li>Roll-out shop front scheme</li> <li>Delivery of Station Approach and Business Innovation Centre</li> <li>Progress of projects through corporate governance and project management</li> </ol>

Risk Ref	Risk Type	Risk (the risk is that...)	Cause (... would cause the risk to occur)	Consequences of uncontained risk (time, cost etc)	Mitigation measures to reduce effect of risk	Impact	Likelihood	Residual Risk Score	Actions
4	Economic	<p><b>Failure to identify and implement actions to support the community and businesses to minimise the effects of the economic downturn</b></p> <p>Strategic Lead for Economic Development &amp; Regeneration</p>	<ul style="list-style-type: none"> <li>Economic uncertainty</li> <li>Insufficient funding for public sector interventions</li> <li>Unable to respond adequately to closure of businesses</li> <li>Failure to respond positively to opportunities as they arise</li> </ul>	<ul style="list-style-type: none"> <li>Unemployment leading to increased cost pressures such as housing benefits</li> <li>Breakdown of supply chain</li> <li>Loss of revenue linked to proposed changes to NDR grant distribution methodology</li> <li>Poor perception of the viability of the District as a place to do business and invest</li> </ul>	<ul style="list-style-type: none"> <li>Ensure the views of key partners and stakeholders are sought</li> <li>Ensure the vibrancy of market towns through local economic initiatives</li> <li>Ensure key actions and interventions of council and partners are effectively promoted and managed</li> <li>Ensure appropriate support available to local business community and the Council itself</li> </ul>	3 Major	2 Possible	6 Medium	<ol style="list-style-type: none"> <li>Cultivate Business relationship management through Business Engagement Strategy and Action Plan</li> <li>Destination SK project scoped to attract inward investment and new business</li> <li>Delivery of Economic Development Strategy Action Plan</li> <li>Development of Cultural strategy</li> <li>Proposal to fund Business Support to replace loss of local Business Link capacity</li> <li>Enterprise Week 2013</li> </ol>
5	Environmental Physical	<p><b>Failure to have robust plans and contingency arrangements in place to deal with the impacts of severe weather conditions or industrial action</b></p>	<ul style="list-style-type: none"> <li>Failure in provision of service</li> </ul>	<ul style="list-style-type: none"> <li>Staff shortages</li> <li>Diminished service provision</li> <li>Failure to meet customer's needs</li> <li>Unable to respond to blue light services</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Business Continuity Plan (BCP)</li> <li>Service BCPs</li> <li>Staff training and awareness</li> <li>Emergency Plan</li> <li>Extra guidance for industrial action circulated to key staff</li> </ul>	3 Major	2 Possible	6 Medium	<ol style="list-style-type: none"> <li>Ensure BCPs and emergency plans are regularly reviewed and updated</li> <li>Ensure action to be taken is clearly communicated to relevant staff and the local community</li> </ol>
6	Reputational (Internal)	<p><b>Failure to recruit, retain and develop staff to an acceptable standard</b></p> <p>Head of People, Projects &amp; Performance</p>	<ul style="list-style-type: none"> <li>Failure to develop workforce strategy and inability to harness skills and development of key roles</li> </ul>	<ul style="list-style-type: none"> <li>Poor service delivery</li> <li>Low staff morale</li> <li>High turnover</li> <li>Low turnover</li> </ul>	<ul style="list-style-type: none"> <li>Learning &amp; Development Plan to be delivered during year</li> <li>People Strategy is being developed for whole organisation</li> <li>Leadership programme in place</li> <li>Behavioural framework in place</li> </ul>	2 Minor	1 Unlikely	2 Low	<ol style="list-style-type: none"> <li>Development and delivery of a corporate learning and development training programme on the back of detailed service plans for 2013/14</li> <li>People Strategy and delivery plan to be established to develop staff and harness skills across the organisation</li> </ol>
		<p><b>Reduction in staff morale due to organisational change etc</b></p> <p>Head of People, Projects &amp; Performance</p>	<ul style="list-style-type: none"> <li>Failure to manage the communication and effective implementation of organisational change</li> </ul>	<ul style="list-style-type: none"> <li>Loss of capacity</li> <li>Increased levels of stress and sickness</li> <li>Reduced service delivery</li> <li>Failure to deliver priorities</li> <li>Industrial action</li> </ul>	<ul style="list-style-type: none"> <li>The Council has developed an "Unlocking Our Potential" culture change programme to incorporate leadership, management, customer focus and performance management/delivery</li> </ul>	2 Minor	2 Possible	4 Medium	<ol style="list-style-type: none"> <li>Continue to embed the culture change programme as part of overall People Strategy</li> </ol>

Risk Ref	Risk Type	Risk (the risk is that...)	Cause (... would cause the risk to occur)	Consequences of uncontained risk (time, cost etc)	Mitigation measures to reduce effect of risk	Impact	Likelihood	Residual Risk Score	Actions
7	Reputational Customer Financial	<p><b>Failure to integrate new localised performance framework together with local measures linked to priority actions</b></p> <p>Head of People, Projects &amp; Performance</p>	<ul style="list-style-type: none"> <li>Inability to evidence performance</li> <li>Inability to manage underperformance</li> </ul>	<ul style="list-style-type: none"> <li>Missed targets</li> <li>Damaged reputation</li> <li>Poor service delivery</li> <li>Poor Value for Money (VFM)</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of Performance &amp; Programme Management Board</li> <li>Establishment of Programme &amp; Performance Management Office who monitor and report on exceptions</li> <li>Clear project methodology and performance measures in place</li> </ul>	3 Major	1 Unlikely	3 Low	<ol style="list-style-type: none"> <li>Performance Management Framework in place linked to ensuring key priority actions are delivered is reviewed as necessary</li> <li>Training for staff and managers on all aspects of performance and project management</li> </ol>
8	Reputational Customer	<p><b>Failure to keep the public and parishes informed on Council priorities and issues</b></p> <p>Head of People, Projects &amp; Performance</p>	<ul style="list-style-type: none"> <li>Increased media scrutiny</li> <li>Erosion in trust or confidence in the Council</li> <li>Failure to match social and political expectations</li> <li>Failure to deliver minimum standards of service to the community</li> </ul>	<ul style="list-style-type: none"> <li>Loss of public trust and confidence</li> <li>Failure to deliver on corporate priorities due to perception of the Council</li> <li>Unable to deliver core services</li> <li>Additional processes to reassure the public</li> </ul>	<ul style="list-style-type: none"> <li>Ensure effective communication with media/staff/members</li> <li>Monitor media coverage and establish strong relationships with media</li> <li>Communications Plan based on priorities/projects</li> <li>Partnership working with Community Focus Group on major projects to gain feedback</li> <li>Consultation feedback on satisfaction with how we communicate with our residents</li> <li>Regular engagement with our customers to ensure we focus on what is important to them</li> <li>Our messages are published/promoted through our own magazine SKToday</li> <li>Members newsletter – Members’ News</li> <li>Staff newsletter – Insight</li> <li>Website is closely monitored, updated and improved</li> <li>Citizen’s panel being commissioned</li> </ul>	3 Major	1 Unlikely	3 Low	<ol style="list-style-type: none"> <li>Ensure effective arrangements are in place in accordance with the requirements of the Localism Bill</li> <li>Ensure both the Communication Plan and Consultation and Engagement Strategy are in line with our priorities and commitment to better engage with our community</li> <li>Establish stronger relationships with our parish councils to improve overall communication with them and the public in general. This will involve new ‘drop-in’ sessions across the district and a regular e-newsletter</li> <li>Continue to develop Community Events to promote the council’s priorities and listen to what is important to our residents</li> <li>Ensure we engage with our staff/members to improve internal communications (newsletters)</li> <li>Continue to improve our website so residents can better access our services</li> </ol>

Risk Ref	Risk Type	Risk (the risk is that...)	Cause (... would cause the risk to occur)	Consequences of uncontained risk (time, cost etc)	Mitigation measures to reduce effect of risk	Impact	Likelihood	Residual Risk Score	Actions
9	Technological Customer	<p><b>Ability for ICT infrastructure and support systems to be adapted and configured in order to provide a resilient framework, specifically to meet the challenges of agile working and customer information databases</b></p> <p>Head of Finance</p>	<ul style="list-style-type: none"> <li>• Failure to implement and sustain a robust ICT infrastructure that is resilient and flexible enough to meet the challenge of the delivery of an agile workforce</li> <li>• Aging ICT hardware and network which is inflexible and costly to support Bourne CAP operational from March and requires sufficient WAN speed</li> <li>• IT solutions not delivered to underpin changes to customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Pressures on ICT platform causing difficulties to deliver quality services and creating an inflexible ICT infrastructure</li> <li>• Serious compromise of service delivery of Bourne CAP if WAN speed insufficient</li> </ul>	<ul style="list-style-type: none"> <li>• ICT strategy setting out roadmap for development</li> <li>• Close linkages to corporate priorities</li> <li>• Review of service resourcing and opportunities for partnerships</li> </ul>	3 Major	1 Unlikely	3 Low	<ol style="list-style-type: none"> <li>1. ICT strategy approved and a plan agreed</li> <li>2. ICT audit of systems including resilience and capacity to be undertaken with external support</li> <li>3. Formation of ICT Steering Board to oversee implementation of action plan</li> </ol>

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<b>CRITICAL</b> None or very low tolerance to the risk	<b>4</b>	<b>4</b>	<b>8</b>	<b>12</b>	<b>16</b>
<b>MAJOR</b> Some tolerance to the risk	<b>3</b>	7 8 9 <b>3</b>	1 2 3 4 6 5	<b>9</b>	<b>12</b>
<b>MINOR</b> Risk can be tolerated in most cases	<b>2</b>	6a <b>2</b>	6b <b>4</b>	<b>6</b>	<b>8</b>
<b>NEGLIGIBLE</b> Risk can be tolerated	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
		<b>UNLIKELY</b> Never occurred before	<b>POSSIBLE</b> Infrequent occurrence (within 12 months)	<b>LIKELY</b> Regular occurrence (within 3 months)	<b>CERTAIN</b> Frequent occurrence (daily, weekly or monthly)

**LIKELIHOOD**