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RSM Tenon

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report (2011/12)

Governance and Audit Committee Meeting – 15th March 2012

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

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1. INTRODUCTION

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

2. FINAL REPORTS ISSUED

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

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

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

3. WORK IN PROGRESS OR PLANNED

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

4. FINDINGS FROM INTERNAL AUDIT WORK

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

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

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

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

5. LIAISON WITH MANAGEMENT

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

6. CHANGES TO OUR PLAN

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

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

Changes to the plan since last Governance & Audit Committee:

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

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

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

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

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

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

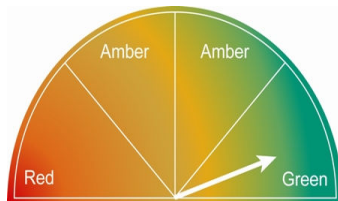
High (H): *action is imperative to ensure that the objectives for the area under review are met.*

Medium (M): *requires action to avoid exposure to significant risks in achieving the objectives for the area under review.*

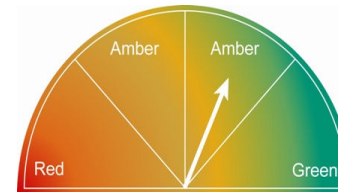
Low (L): *action advised to enhance control or improve operational efficiency.*

ASSURANCE OPINIONS

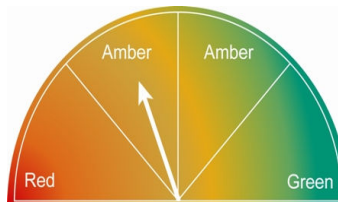
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



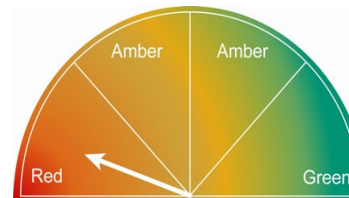
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



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



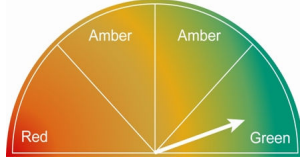
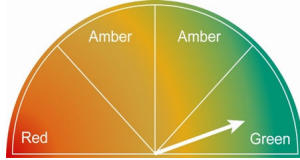
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

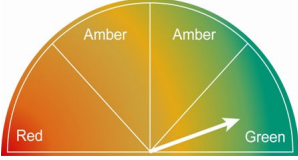
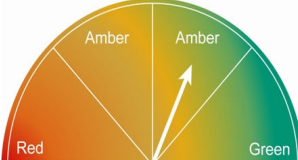


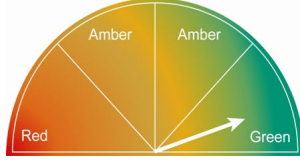
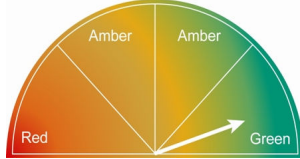
Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

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

APPENDIX B: REPORTS FINALISED – SUMMARY OF KEY FINDINGS

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Final Date for Impl. of All Recs	Responsible Officer (s)
<p><u>Disabled Facilities Grant</u></p> <p>An audit of Disabled Facilities Grant was undertaken as part of the approved internal audit plan and resulted in three Low risk recommendations being raised; all of which were accepted by management.</p>		3 (3)	0	December 2011	Service Manager – Housing Solutions DFG Project Team Leader
<p><u>Building Control</u></p> <p>An audit of Building Control was undertaken as part of the approved internal audit plan and resulted in one Medium and three Low risk recommendations being raised; all of which were accepted by management.</p> <p>The medium recommendation was in relation to:</p> <ul style="list-style-type: none"> ➤ Management should develop and introduce reporting on applications awaiting a decision and cases that are on-going but not completed, as these reports will facilitate monitoring to ensure that statutory time limits are adhered to and will ensure that completion certificates are issued as soon as works are completed. 		4 (4)	0	March 2012	Building Control Manager ICT Manager

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Final Date for Impl. of All Recs	Responsible Officer (s)
<p><u>Cash and Banking</u></p> <p>An audit of Cash and Banking was undertaken as part of the approved internal audit plan and resulted in one Medium and one Low risk recommendation being raised; both of which were accepted by management.</p> <p>The medium recommendation was in relation to:</p> <ul style="list-style-type: none"> ➤ The list of users with access to the online banking system should be reviewed on a regular basis to ensure that it remains up-to-date. <p>Former employees and staff who no longer require access to the system should be promptly removed from the system or have their access disabled.</p>		2 (2)	0	January 2012	ICT Service Manager Finance Support Manager (Governance & Risk)
<p><u>Development Control</u></p> <p>An audit of Development Control was undertaken as part of the approved internal audit plan and resulted in two Medium and seven Low risk recommendations being raised; all of which were accepted by management.</p> <p>The medium recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ The Development Management Service Manager should ensure an appropriate procedure is implemented to evidence site visits. <p>All site visit evidence should be signed and dated by the responsible Planning Officers and retained on file for a complete audit trail purpose.</p> <ul style="list-style-type: none"> ➤ The Development Management Service Manager should ensure that the Validation Checklist is reviewed so that it is relevant and fit for purpose. This will improve the efficiency of processing each planning application. 		9 (9)	0	April 2012	Head of Development & Growth Development Management Service Manager

Summary of Audit Findings	Assurance Level	No. of Recs. Made and (Accepted)	No. of Recs. Categorised As High Risk	Final Date for Impl. of All Recs	Responsible Officer (s)
<p><u>Corporate Governance</u></p> <p>An audit of Corporate Governance was undertaken as part of the approved internal audit plan and resulted in three Low risk recommendations being raised; all of which were accepted by management.</p>		3 (3)	0	June 2012	Head of Legal & Democratic Services HR & OD Service Manager
<p><u>MOT Services</u></p> <p>An audit of MOT Services was undertaken as part of the approved internal audit plan and resulted in one Medium and one Low risk recommendation being raised; both of which were accepted by management.</p> <p>The medium recommendation was in relation to:</p> <ul style="list-style-type: none"> ➤ On a monthly basis the MOT Test Log report should be obtained from the VOSA VTS Device and reconciled back to Council records, the MOT Diary, the completed monthly MOT Test Sheet and receipted payments as per the Finance report ensuring that all MOTs performed can be accounted for. <p>Any discrepancies should be investigated and resolved in a timely manner following month end.</p> <p>The MOT Test Log should be signed to certify that the reconciliation has been agreed, independently reviewed and then retained with other corresponding documentation.</p>		2 (2)	0	February 2012	Business Support Team Leader

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

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

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