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RSM Tenon

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report (2012/13)

Governance and Audit Committee Meeting – 29th June 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 2012/13 was approved by the Governance and Audit Committee on the 15th March 2012. 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 two reports relating to the 2012/13 audit plan; these are in the areas of:

- **Contract Management – Ground & Tree Maintenance; and**
- **Follow Up (1).**

- 2.2 The Follow Up (1) report is being presented to Members as a separate agenda item.

3. WORK IN PROGRESS OR PLANNED

- 3.1 There is currently one report out in draft and awaiting management response, which relates to the Elections review. There are a further 24 reviews planned to take place before the financial year end of 31st March 2013. Details are shown in Appendix A.

4. FINDINGS FROM INTERNAL AUDIT WORK

- 4.1 We have raised 13 recommendations across the two reviews that are being presented to this committee; two recommendations have been classified as 'High' Risk; five recommendations have been classified as 'Medium' risk and the remaining six recommendations have been classified as 'Low' risk. Details of the key findings are shown in Appendix B.

5. LIAISON WITH MANAGEMENT

- 5.1 Meetings are held with the Head of Finance, Finance Support Manager (Finance & Risk) 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 There have currently been no changes to the Internal Audit Plan.

APPENDIX A: OPERATIONAL PLAN PERFORMANCE 2012/13 – CURRENT REPORTS

Detailed below is a summary of the work undertaken in 2012/13 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>Contract Management – Ground & Tree Maintenance</i>	<i>30/04/12</i>	<i>11/05/12</i>	<i>21/05/12</i>	<i>12/06/12</i>	<i>13/06/12</i>	<i>June 2012</i>	<i>Risk Based</i>	<i>7</i>	<i>RED</i>	<i>2</i>	<i>2</i>	<i>6</i>	<i>10</i>	<i>10</i>	
<i>Follow Up (1)</i>	<i>08/05/12</i>	<i>N/A</i>	<i>15/05/12</i>	<i>30/05/12</i>	<i>30/05/12</i>	<i>June 2012</i>	<i>Follow Up</i>	<i>4</i>	<i>GOOD PROGRESS</i>	<i>0</i>	<i>3</i>	<i>0</i>	<i>3</i>	<i>3</i>	
<i>Management</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>4</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	
								<i>Sub total</i>	<i>15</i>		<i>2</i>	<i>5</i>	<i>6</i>	<i>13</i>	<i>13</i>

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
<i>Work in progress or yet to start (including reports still in draft)</i>														
Elections	28/05/12	31/05/12	11/06/12					(6)						
Leases	11/06/12							(6)						
Licensing	11/06/12							(6)						
Asset Management Plan	16/07/12							(6)						
Corporate Governance	23/07/12							(6)						
Creditors & Procurement	30/07/12							(7)						
Debtors	13/08/12							(6)						
Rent Collection & Arrears	13/08/12							(7)						
Follow Up (2)	14/08/12							(4)						
Housing Benefits	03/09/12							(7)						
Council Tax	03/09/12							(5)						
NNDR	03/09/12							(5)						
Insurance	17/09/12							(6)						
Cash & Banking	08/10/12							(6)						
General Ledger/ Main Accounting System	22/10/12							(7)						

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
Payroll & Expenses	05/11/12							(6)						
Land Charges	05/11/12							(4)						
Programme Management	26/11/12							(7)						
Refuse Collection & Bulky Waste	26/11/12							(7)						
Green Waste	03/12/12							(5)						
Follow Up (3)	12/12/12							(4)						
Risk Management	07/01/13							(4)						
Flexible Working Arrangements	04/02/13							(6)						
Anti-Fraud & Corruption – Bribery Act	TBC							(7)						
Data Security	TBC							(7)						
Contingency	-	-	-	-	-	-	-	(17)	-	-	-	-	-	-
Management	-	-	-	-	-	-	-	(11)	-	-	-	-	-	-
								Sub total	(175)					
								Total	190					

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

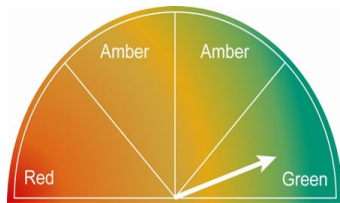
High (H): *action is imperative to ensure that the objectives for the area under review are met.*

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

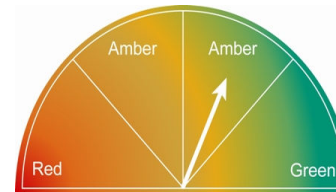
Low (L): *action advised to enhance control or improve operational efficiency.*

ASSURANCE OPINIONS

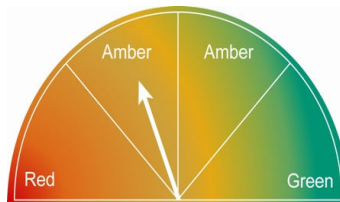
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



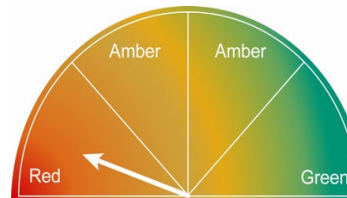
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



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.



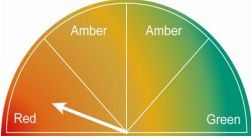
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.



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>Contract Management – Ground & Tree Maintenance – (02.11/12):</u></p> <p>An audit of Contract Management – Ground & Tree Maintenance was undertaken as part of the approved internal audit plan and resulted in two 'High', two 'Medium' and six 'Low' risk recommendations being raised; all were accepted by management.</p> <p>The High recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ When a service is retendered, the Council should ensure that resulting contract(s) is/are signed by all parties involved. ➤ 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>The Medium recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ The Order Requests from Tenancy Services for Grounds Maintenance work required in excess of that covered by the contract should be formally signed by the requesting Officer and subject to approval at an appropriate level. <p>The process for raising and payment of orders for work on graves should be reviewed to ensure that a control is put in place to ensure that Order Requests are checked with Dignity before being entered on the Cedar system.</p> <ul style="list-style-type: none"> ➤ 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. 		10 (10)	2	July 2013 (relates to a Low rec)	Property Development Manager Team Leader (Operations)