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RSM Tenon

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report (2012/13)

Governance and Audit Committee Meeting – 25th September 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 six reports relating to the 2012/13 audit plan; these are in the areas of:

- **Leases;**
- **Asset Management;**
- **Corporate Governance;**
- **Creditors & Procurement;**
- **Repairs; and**
- **Follow-Up (2)**

- 2.2 The Follow Up (2) report is being presented to Members as a separate agenda item.

3. WORK IN PROGRESS OR PLANNED

- 3.1 There are currently two reports out in draft and awaiting management response, which relate to the Rent Collection & Arrears and Debtors reviews. The fieldwork has just been completed for a further three reviews; being Council Tax, Housing Benefit and NNDR There are a further 13 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 27 recommendations across the two reviews that are being presented to this committee; six recommendations have been classified as 'High' Risk; 14 recommendations have been classified as 'Medium' risk and the remaining seven 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 We have recently undertaken an audit on the responsive repairs process and procedures for which seven days have been taken out of the contingency budget, the findings of which are being presented to this Committee. In addition, we plan to review the potential fire risk at Council owned properties which is scheduled to take place week commencing 01/10/12. A total of three days from the contingency budget will be used for this review.

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>Leases</i>	<i>11/06/12</i>	<i>14/06/12</i>	<i>27/06/12</i>	<i>14/08/12</i>	<i>23/08/12</i>	<i>Sept 2012</i>	<i>Risk Based</i>	<i>6</i>	<i>RED</i>	<i>3</i>	<i>3</i>	<i>0</i>	<i>6</i>	<i>6</i>	
<i>Asset Management Plan</i>	<i>16/07/12</i>	<i>20/07/12</i>	<i>31/07/12</i>	<i>28/08/12</i>	<i>29/08/12</i>	<i>Sept 2012</i>	<i>Risk Based</i>	<i>6</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>2</i>	
<i>Corporate Governance</i>	<i>23/07/12</i>	<i>26/07/12</i>	<i>30/07/12</i>	<i>14/08/12</i>	<i>29/08/12</i>	<i>Sept 2012</i>	<i>Risk Based</i>	<i>6</i>	<i>GREEN</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>1</i>	
<i>Creditors & Procurement</i>	<i>30/07/12</i>	<i>03/08/12</i>	<i>08/08/12</i>	<i>05/09/12</i>	<i>06/09/12</i>	<i>Sept 2012</i>	<i>Risk Based</i>	<i>7</i>	<i>GREEN / AMBER</i>	<i>0</i>	<i>2</i>	<i>3</i>	<i>5</i>	<i>5</i>	
<i>Follow Up (2)</i>	<i>14/08/12</i>	<i>16/08/12</i>	<i>29/08/12</i>	<i>07/09/12</i>	<i>10/09/12</i>	<i>Sept 2012</i>	<i>Follow Up</i>	<i>4</i>	<i>GOOD PROGRESS</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>2</i>	<i>2</i>	
<i>Repairs</i>	<i>23/07/12</i>	<i>01/08/12</i>	<i>09/08/12</i>	<i>06/09/12</i>	<i>11/09/12</i>	<i>Sept 2012</i>	<i>Risk Based</i>	<i>7</i>	<i>RED</i>	<i>3</i>	<i>6</i>	<i>2</i>	<i>11</i>	<i>11</i>	
Elections	28/05/12	31/05/12	11/06/12	25/06/12	26/06/12	July 2012	Risk Based	6	GREEN	0	0	4	4	4	
Licensing	11/06/12	15/06/12	21/06/12	04/07/12	06/07/12	July 2012	Risk Based	6	GREEN	0	1	0	1	1	
Contract Management – Ground & Tree Maintenance	30/04/12	11/05/12	21/05/12	12/06/12	13/06/12	June 2012	Risk Based	7	RED	2	2	6	10	10	
Follow Up (1)	08/05/12	N/A	15/05/12	30/05/12	30/05/12	June 2012	Follow Up	4	GOOD PROGRESS	0	3	0	3	3	
Advisory Reviews	-	-	-	-	-	-	-	10	-	0	6	17	23	23	

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	
Management	-	-	-	-	-	-	-	5	-	-	-	-	-	-	
								Sub total	74		8	26	34	68	68

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>														
Debtors	13/08/12	16/08/12	29/08/12					(6)						
Rent Collection & Arrears	13/08/12	20/08/12	29/08/12					(7)						
Housing Benefits	03/09/12	07/09/12						(7)						
Council Tax	03/09/12	07/09/12						(5)						
NNDR	03/09/12							(5)						
Insurance	17/09/12							(6)						
Cash & Banking	08/10/12							(6)						
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)						

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
General Ledger/ Main Accounting System	04/02/13							(7)						
Data Security	TBC							(7)						
Contingency (Fire Risk Implications)	-	-	-	-	-	-	-	(7) 3	-	-	-	-	-	-
Management	-	-	-	-	-	-	-	(10)	-	-	-	-	-	-
								Sub total	(116)					
								Total	190					

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

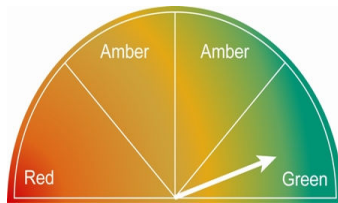
High (H): *action is imperative to ensure that the objectives for the area under review are met.*

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

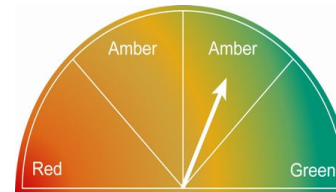
Low (L): *action advised to enhance control or improve operational efficiency.*

ASSURANCE OPINIONS

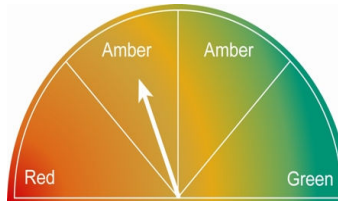
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



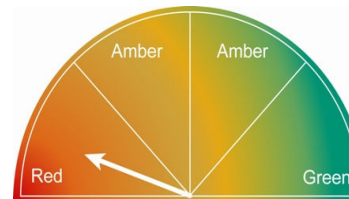
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



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.



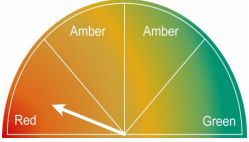
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

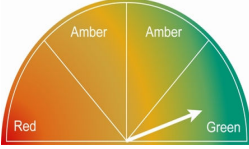
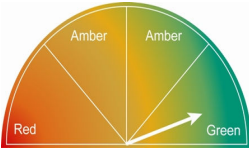
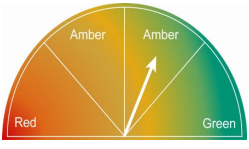


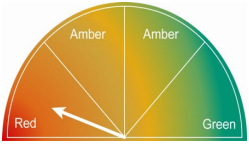
Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

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>Leases – (05.12/13):</u></p> <p>An audit of Leases was undertaken as part of the approved internal audit plan and resulted in three 'High' and three 'Medium' risk recommendations.</p> <p>This High risk recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ Reviewing all systems within the Council to identify potential leases and licenses with the aim of compiling a list of all current leases and licenses. The Council may also wish to work with and outside agency, such as the Land Registry, in an attempt to confirm records and identify potential discrepancies in Council records; however this would incur additional costs to the Council. ➤ The tenancy schedule from the Council's appointed contractor should be reviewed at each management meeting to identify any discrepancies or errors between the records maintained by the contractor and those maintained by the Council. ➤ A record of all leases and licences issued by the Council should be established and maintained; allowing the expiry of leases and licences to be monitored. <p>The medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> ➤ Documenting procedures for the management of leases and licences. ➤ Updating the Scheme of Delegation ensuring consistency with the current structure and a decision is required as to whether the new process for determining market rent is acceptable. ➤ To undertake a monthly reconciliation of the properties for which lease income is received to the revenues system. 		6(6)	3	March 2013	Property Development Officer and Team Leader - Assets

<p><u>Asset Management Plan – (08.12/13):</u></p> <p>An audit of the Asset Management Plan was undertaken as part of the approved internal audit plan and resulted in two 'Low' risk recommendations being made; both of which were accepted by management.</p>		2(2)	0	Nov 2012	Property Development Manager
<p><u>Corporate Governance – (07.12/13):</u></p> <p>An audit of Corporate Governance was undertaken as part of the approved internal audit plan and resulted in one 'Medium' risk recommendation.</p> <p>This recommendation was in relation to:</p> <ul style="list-style-type: none"> ➤ Making attendance a key part of the scope when undertaking the next Governance & Audit Committee self-assessment review and improving the attendance of appointed members to ensure greater continuity. 		1(1)	0	Dec 2012	Finance Support Manager (Finance & Risk)
<p><u>Creditors & Procurement – (09.12/13):</u></p> <p>An audit of Creditors & Procurement was undertaken as part of the approved internal audit plan and resulted in two 'Medium' risk recommendations and three 'Low' risk recommendations.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> ➤ Ensuring that the authorisation limits within the system reflect the limits and per the Authorised Signatory List and suspending access in a timely manner for those staff leaving Council employment. ➤ Retaining the new Supplier Form used to support the evidence for all new suppliers set up on the system and obtaining confirmation of supplier bank details. Also to establish if an audit report can be produced to identify all changes made to supplier standing data. 		5(5)	0	October 2012	Finance Support Manager (Finance & Risk)

<p>Repairs – (10.12/13):</p> <p>The audit of Repairs was designed to focus upon those areas of the Repairs process which could lead to an increased number of insurance claims being made, or where failure to act in an appropriate manner could lead to the Council being held liable for claims. Our work resulted in three 'High' risk recommendations and six 'Medium' risk recommendations.</p> <p>The High risk recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ Ensuring that repairs are prioritised/categorised with the evidence to support prioritisation being documented. ➤ Recording and monitoring completion of work identified as a result of risk assessments. ➤ Correctly coding repairs that fall within the 'Right to Repair scheme' on the system and ensuring there is documented evidence should a repair fall under this scheme but not be classed as urgent. <p>The Medium risk recommendations were in relation to:</p> <ul style="list-style-type: none"> ➤ Ensuring there is adequate resource to complete the appointments within the assigned target completion date and producing a list of repairs which may have a high likelihood of resulting in an insurance claim to assist in scheduling jobs. ➤ Coding of identified follow on work and scheduling this work based on urgency of repair. ➤ Undertaking the target number of inspections and quality checks required to assess the quality of works. ➤ Undertaking an analysis comparing full time equivalent resource available within the repairs department. ➤ Monitoring of daily work schedules to identify possible opportunities to allocate further work. ➤ Effective communication and response to tenants, wardens or staff who report repairs as to the status off the repair. 		11(11)	3	April 2013	Service Manager – Property Services (HRA)
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