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**RSM** Tenon

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report

Governance and Audit Committee Meeting – 6<sup>th</sup> December 2012

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**RSM** Tenon

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

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## 1. INTRODUCTION

- 1.1 The periodic internal audit plan for 2012/13 was approved by the Governance and Audit Committee on the 15<sup>th</sup> 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:

- **Cash and Banking;**                      **Debtors;**
- **Council Tax;**                              **Housing Benefits;**
- **NNDR;**                                      **Rent Collection and Arrears.**

## 3. WORK IN PROGRESS OR PLANNED

- 3.1 There are currently two reports out in draft and awaiting management responses, which relate to the Payroll and Land Charges reviews. There are a further 9 reviews planned to take place before the financial year end of 31<sup>st</sup> March 2013. Details are shown in Appendix A.

## 4. FINDINGS FROM INTERNAL AUDIT WORK

- 4.1 We have raised 23 recommendations across the 6 reviews that are being presented to this committee; no recommendations have been classified as 'High' Risk; 7 recommendations have been classified as 'Medium' risk and the remaining 16 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 Following discussions with management we propose to remove the planned audit on Insurance; our planning discussions have identified that the service is currently going through a review process with the current provider and as such, it is felt more beneficial to the Council to postpone this audit until the review process has been completed. The six days which had been allocated to this review will be moved into the contingency budget; if by the year end these days have not been utilised this will represent a saving for the Council.
- 6.2 In addition we have requested that the Risk Management review be conducted by a Risk Management specialist as this will be of greater value to the Council; however in order to complete this work to a suitable standard we will utilise 2 days out of the remaining contingency budget.

## 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	
<b>Current Reports</b>															
<b><i>Debtors</i></b>	<b><i>13/08/12</i></b>	<b><i>16/08/12</i></b>	<b><i>29/08/12</i></b>	<b><i>29/10/12</i></b>	<b><i>30/10/12</i></b>	<b><i>Dec 2012</i></b>	<b><i>Risk Based</i></b>	<b><i>6</i></b>	<b><i>GREEN / AMBER</i></b>	<b><i>0</i></b>	<b><i>2</i></b>	<b><i>7</i></b>	<b><i>9</i></b>	<b><i>9</i></b>	
<b><i>Rent Collection &amp; Arrears</i></b>	<b><i>13/08/12</i></b>	<b><i>20/08/12</i></b>	<b><i>29/08/12</i></b>	<b><i>24/09/12</i></b>	<b><i>25/09/12</i></b>	<b><i>Dec 2012</i></b>	<b><i>Risk Based</i></b>	<b><i>7</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>0</i></b>	<b><i>3</i></b>	<b><i>3</i></b>	<b><i>3</i></b>	
<b><i>Council Tax</i></b>	<b><i>03/09/12</i></b>	<b><i>07/09/12</i></b>	<b><i>17/09/12</i></b>	<b><i>18/09/12</i></b>	<b><i>18/09/12</i></b>	<b><i>Dec 2012</i></b>	<b><i>Risk Based</i></b>	<b><i>5</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>1</i></b>	<b><i>0</i></b>	<b><i>1</i></b>	<b><i>1</i></b>	
<b><i>Housing Benefits</i></b>	<b><i>03/09/12</i></b>	<b><i>07/09/12</i></b>	<b><i>17/09/12</i></b>	<b><i>18/09/12</i></b>	<b><i>18/09/12</i></b>	<b><i>Dec 2012</i></b>	<b><i>Risk Based</i></b>	<b><i>7</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>1</i></b>	<b><i>1</i></b>	<b><i>2</i></b>	<b><i>2</i></b>	
<b><i>NNDR</i></b>	<b><i>03/09/12</i></b>	<b><i>17/09/12</i></b>	<b><i>19/09/12</i></b>	<b><i>15/10/12</i></b>	<b><i>16/10/12</i></b>	<b><i>Dec 2012</i></b>	<b><i>Risk Based</i></b>	<b><i>5</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>2</i></b>	<b><i>2</i></b>	<b><i>4</i></b>	<b><i>4</i></b>	
<b><i>Cash &amp; Banking</i></b>	<b><i>08/10/12</i></b>	<b><i>12/10/12</i></b>	<b><i>24/10/12</i></b>	<b><i>07/11/12</i></b>	<b><i>09/11/12</i></b>	<b><i>Dec 2012</i></b>	<b><i>Risk Based</i></b>	<b><i>6</i></b>	<b><i>GREEN</i></b>	<b><i>0</i></b>	<b><i>1</i></b>	<b><i>3</i></b>	<b><i>4</i></b>	<b><i>4</i></b>	
Leases	11/06/12	14/06/12	27/06/12	14/08/12	23/08/12	Sept 2012	Risk Based	6	RED	3	3	0	6	6	
Asset Management Plan	16/07/12	20/07/12	31/07/12	28/08/12	29/08/12	Sept 2012	Risk Based	6	GREEN	0	0	2	2	2	
Corporate Governance	23/07/12	26/07/12	30/07/12	14/08/12	29/08/12	Sept 2012	Risk Based	6	GREEN	0	1	0	1	1	
Creditors & Procurement	30/07/12	03/08/12	08/08/12	05/09/12	06/09/12	Sept 2012	Risk Based	7	GREEN / AMBER	0	2	3	5	5	
Follow Up (2)	14/08/12	16/08/12	29/08/12	07/09/12	10/09/12	Sept 2012	Follow Up	3	GOOD PROGRESS	0	2	0	2	2	
Repairs	23/07/12	01/08/12	09/08/12	06/09/12	11/09/12	Sept 2012	Risk Based	7	RED	3	6	2	11	11	

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	
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	
Management	-	-	-	-	-	-	-	5	-	-	-	-	-	-	
<b>Sub total</b>									<b>109</b>		<b>8</b>	<b>33</b>	<b>50</b>	<b>91</b>	<b>91</b>

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>														
Payroll & Expenses	05/11/12	08/11/12	14/11/12					(6)						
Land Charges	05/11/12	12/11/12	19/11/12					(4)						
Programme Management	26/11/12							(7)						
Refuse Collection & Bulky Waste	26/11/12							(7)						
Green Waste	03/12/12							(5)						
Follow Up (3)	07/01/13							(5)						
Risk Management	07/01/13							(6)						
Flexible Working Arrangements	04/02/13							(6)						
General Ledger/ Main Accounting System	04/02/13							(7)						
Data Security	TBC							(7)						
Contingency	-	-	-	-	-	-	-	(11)	-	-	-	-	-	-
Management	-	-	-	-	-	-	-	(10)	-	-	-	-	-	-
								<b>Sub total</b>	<b>(81)</b>					
								<b>Total</b>	<b>190</b>					

### Recommendation Categorisation

**Recommendation Categorisation**

Our findings and recommendations are categorised as follows:

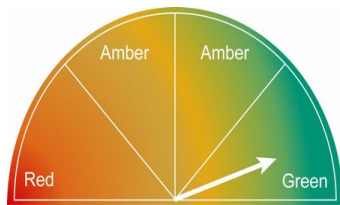
**High (H):** *action is imperative to ensure that the objectives for the area under review are met.*

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

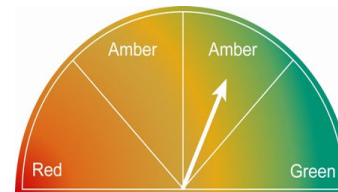
**Low (L):** *action advised to enhance control or improve operational efficiency.*

**ASSURANCE OPINIONS**

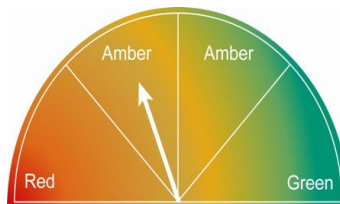
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



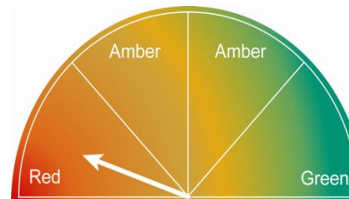
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



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.



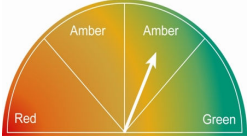
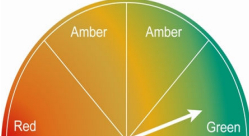
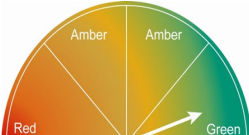
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

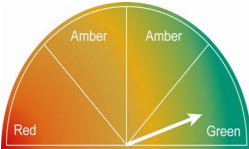
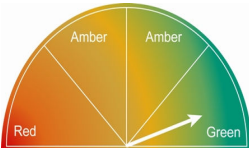
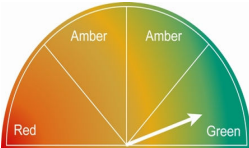


Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

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	Impl Date for Recs.	Responsible Officer (s)
<p><b><u>Debtors – (13.12/13):</u></b></p> <p>An audit of Debtors was undertaken as part of the approved internal audit plan and resulted in two ‘Medium’ risk and seven ‘Low’ risk recommendations being raised.</p> <p>The Medium risk recommendations were in relation to:</p> <ul style="list-style-type: none"> <li>➤ Putting a procedure in place for the authorisation of credit notes and ensuring that they have been authorised by an appropriate member of staff with sufficient supporting documentation, and</li> <li>➤ Introducing an independent review of the write offs processed within the sundry debtors system.</li> </ul>		9(9)	0	<p>Nov 2012</p> <p>March 2013</p>	Revenues & Benefits Service Manager
<p><b><u>Rent Collection &amp; Arrears – (12.12/13):</u></b></p> <p>An audit of Rent Collection and Arrears was undertaken as part of the approved internal audit plan and resulted in three ‘Low’ risk recommendations being made; both of which were accepted by management.</p>		3(3)	0	Sept 2012	Revenues & Benefits Service Manager
<p><b><u>Council Tax – (14.12/13):</u></b></p> <p>An audit of Council Tax 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"> <li>➤ Ensuring that all staff with access to the Northgate System have completed an annual declaration of interest form and that there is a robust process for ensuring that staff leaving the employment of the Council have their access rights disabled.</li> </ul>		1(1)	0	Sept 2012	Revenues & Benefits Service Manager

<p><b><u>Housing Benefits – (15.12/13):</u></b></p> <p>An audit of the Housing Benefits system was undertaken as part of the approved internal audit plan and resulted in one 'Medium' risk recommendation and one 'Low' risk recommendations.</p> <p>The Medium risk recommendation made was in relation to:</p> <ul style="list-style-type: none"> <li>➤ Ensuring that the BACS payment report listings are appropriately signed and authorised.</li> </ul>		2(2)	0	Sept 2012	Revenues & Benefits Service Manager
<p><b><u>NNDR – (16.12/13):</u></b></p> <p>An audit of NNDR was undertaken as part of the approved internal audit plan and resulted in two 'Medium' risk recommendations and two 'Low' risk recommendations.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> <li>➤ Reconciling the NNDR database to the information held by the Valuation Office Agency and documenting reasons if there is a known variance; and</li> <li>➤ Ensuring that void inspections are undertaken on a four month rolling basis.</li> </ul>		4(4)	0	Oct 2012 Sept 2012	Revenues & Benefits Service Manager
<p><b><u>Cash &amp; Banking – (17.12/13):</u></b></p> <p>An audit of Cash &amp; banking was undertaken as part of the approved internal audit plan and resulted in one 'Medium' risk recommendation and three 'Low' risk recommendations.</p> <p>The Medium risk recommendation made was in relation to:</p> <ul style="list-style-type: none"> <li>➤ Improving the controls in place following the move to Bourne Community Access Point to ensure that the cash handling activities undertaken are in line with those expected by South Kesteven District Council.</li> </ul>		4(4)	0	April 2013	Customer Services Manager