

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report

Governance and Audit Committee Meeting – 14<sup>th</sup> March 2013

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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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## 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>Payroll &amp; Expenses</i></b>                 | <b><i>4/11/12</i></b>  | <b><i>08/11/12</i></b> | <b><i>14/11/12</i></b> | <b><i>27/11/12</i></b> | <b><i>28/11/12</i></b> | <b><i>March 2013</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>0</i></b> | <b><i>5</i></b> | <b><i>5</i></b> | <b><i>5</i></b> |  |
| <b><i>Land Charges</i></b>                           | <b><i>05/11/12</i></b> | <b><i>12/11/12</i></b> | <b><i>19/11/12</i></b> | <b><i>23/01/13</i></b> | <b><i>24/01/13</i></b> | <b><i>March 2013</i></b>     | <b><i>Risk Based</i></b> | <b><i>4</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>Refuse Collection (inc. Bulky Waste)</i></b>   | <b><i>26/11/12</i></b> | <b><i>30/11/12</i></b> | <b><i>10/12/12</i></b> | <b><i>11/02/13</i></b> | <b><i>11/02/13</i></b> | <b><i>March 2013</i></b>     | <b><i>Risk Based</i></b> | <b><i>7</i></b> | <b><i>AMBER / RED</i></b> | <b><i>1</i></b>                | <b><i>2</i></b> | <b><i>3</i></b> | <b><i>6</i></b> | <b><i>6</i></b> |  |
| <b><i>Programme Management</i></b>                   | <b><i>26/11/12</i></b> | <b><i>10/12/12</i></b> | <b><i>12/12/12</i></b> | <b><i>29/01/13</i></b> | <b><i>30/01/13</i></b> | <b><i>March 2013</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>4</i></b> | <b><i>4</i></b> | <b><i>4</i></b> |  |
| <b><i>Green Waste</i></b>                            | <b><i>03/12/12</i></b> | <b><i>07/12/12</i></b> | <b><i>14/12/12</i></b> | <b><i>07/01/13</i></b> | <b><i>07/01/13</i></b> | <b><i>March 2013</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>0</i></b> | <b><i>2</i></b> | <b><i>2</i></b> | <b><i>2</i></b> |  |
| <b><i>Follow Up (3)</i></b>                          | <b><i>07/01/13</i></b> | <b><i>10/01/13</i></b> | <b><i>21/1/13</i></b>  | <b><i>14/02/13</i></b> | <b><i>14/02/13</i></b> | <b><i>March 2013</i></b>     | <b><i>Risk Based</i></b> | <b><i>5</i></b> | <b><i>ADEQUATE</i></b>    | <b><i>2</i></b>                | <b><i>4</i></b> | <b><i>0</i></b> | <b><i>6</i></b> | <b><i>6</i></b> |  |
| <b><i>General Ledger/ Main Accounting System</i></b> | <b><i>04/02/13</i></b> | <b><i>0/02/13</i></b>  | <b><i>11/02/13</i></b> | <b><i>11/02/13</i></b> | <b><i>11/02/13</i></b> | <b><i>March 2013</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>0</i></b> | <b><i>0</i></b> | <b><i>0</i></b> |  |
| <b><i>Risk Management</i></b>                        | <b><i>16/01/13</i></b> | <b><i>20/01/13</i></b> | <b><i>14/02/13</i></b> | <b><i>26/02/13</i></b> | <b><i>26/02/13</i></b> | <b><i>March 2013</i></b>     | <b><i>Risk Based</i></b> | <b><i>6</i></b> | <b><i>ADVISORY</i></b>    | <b><i>0</i></b>                | <b><i>2</i></b> | <b><i>0</i></b> | <b><i>2</i></b> | <b><i>2</i></b> |  |
| Rent Collection & Arrears                            | 13/08/12               | 20/08/12               | 29/08/12               | 24/09/12               | 25/09/12               | Dec 2012                     | Risk Based               | 7               | GREEN                     | 0                              | 0               | 3               | 3               | 3               |  |
| Council Tax  | 03/09/12               | 07/09/12               | 17/09/12               | 18/09/12               | 18/09/12               | Dec 2012                     | Risk Based               | 5               | GREEN                     | 0                              | 1               | 0               | 1               | 1               |  |
| Housing Benefits                                     | 03/09/12               | 07/09/12               | 17/09/12               | 18/09/12               | 18/09/12               | Dec 2012                     | Risk Based               | 7               | GREEN                     | 0                              | 1               | 1               | 2               | 2               |  |
| NNDR   | 03/09/12               | 17/09/12               | 19/09/12               | 15/10/12               | 16/10/12               | Dec 2012                     | Risk Based               | 5               | GREEN                     | 0                              | 2               | 2               | 4               | 4               |  |

| 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     |            |
| Cash & Banking                                  | 08/10/12   | 12/10/12     | 24/10/12            | 07/11/12           | 09/11/12            | Dec 2012                     | Risk Based     | 6                | GREEN                 | 0                              | 1         | 3         | 4         | 4          |            |
| 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         |            |
| 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                                | -          | -            | -                   | -                  | -                   | -                            | -              | 16               | -                     | 0                              | 6         | 17        | 23        | 23         |            |
| Management                                      | -          | -            | -                   | -                  | -                   | -                            | -              | 5                | -                     | -                              | -         | -         | -         | -          |            |
|   |            |              |                     |                    |                     |                              |                | <b>Sub total</b> | <b>156</b>            |                                | <b>11</b> | <b>41</b> | <b>59</b> | <b>111</b> | <b>111</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> |            |              |                     |                    |                     |                              |                |                  |                       |                                |        |     |          |        |
| Flexible Working Arrangements  | 07/03/13   |              |                     |                    |                     |                              |                | (6)              |                       |                                |        |     |          |        |
| Data Security  | 11/03/13   |              |                     |                    |                     |                              |                | (7)              |                       |                                |        |     |          |        |
| Contingency  | -          | -            | -                   | -                  | -                   | -                            | -              | (11)             | -                     | -                              | -      | -   | -        | -      |
| Management   | -          | -            | -                   | -                  | -                   | -                            | -              | (10)             | -                     | -                              | -      | -   | -        | -      |
|  |            |              |                     |                    |                     |                              |                | <b>Sub total</b> | <b>(34)</b>           |                                |        |     |          |        |
|  |            |              |                     |                    |                     |                              |                | <b>Total</b>     | <b>190</b>            |                                |        |     |          |        |

## Recommendation Categorisation

Our findings and recommendations are categorised as follows:

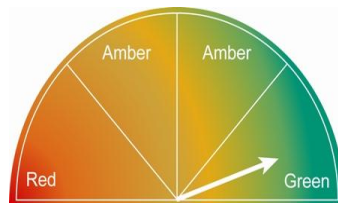
**High (H):** *action is imperative to ensure that the objectives for the area under review are met.*

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

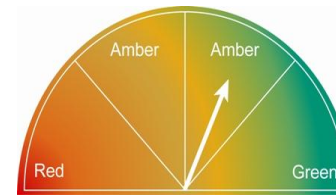
**Low (L):** *action advised to enhance control or improve operational efficiency.*

## ASSURANCE OPINIONS

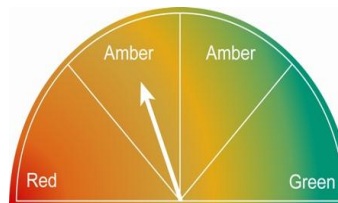
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



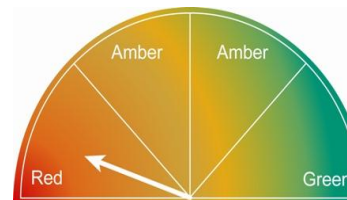
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



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.



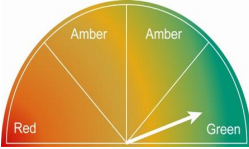
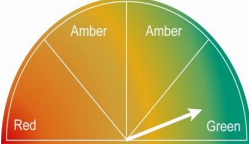
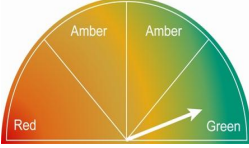
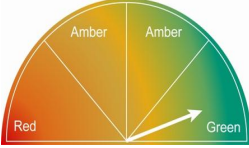
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

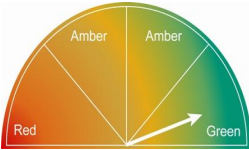


Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

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>Payroll &amp; Expenses – (19.12/13):</u></b></p> <p>An audit of Payroll &amp; Expenses was undertaken as part of the approved internal audit plan and resulted in 5 ‘Low’ risk recommendations being raised and accepted by management.</p>  |    | 5(5)                             | 0                                     | Feb 2013            | Finance Support Manager   |
| <p><b><u>Land Charges – (20.12/13):</u></b></p> <p>An audit of Land Charges was undertaken as part of the approved internal audit plan and resulted in 2 ‘Medium’ risk and 2 ‘Low’ risk recommendations being made; all of which were accepted by management.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> <li>➤ Ensuring that the Local Land Charges Register is updated in a timely manner, once the notification has been received.</li> <li>➤ Approval should be obtained and retained on file to support the decision not to chase an outstanding fee, if this is of a low value. An analysis of the income lost should be undertaken and be reported to management.</li> </ul> |    | 4(4)                             | 0                                     | March 2013          | Land Charges Officer      |
| <p><b><u>Programme Management – (22.12/13):</u></b></p> <p>An audit of the Programme Management was undertaken as part of the approved internal audit plan and resulted in 4 ‘Low’ risk recommendations, all of which were accepted by management.</p>  |  | 4(4)                             | 0                                     | Latest May 2013     | Various                   |
| <p><b><u>Green Waste – (23.12/13):</u></b></p> <p>An audit of Green Waste was undertaken as part of the approved internal audit plan and resulted in 2 ‘Low’ risk recommendations being raised and accepted by management.</p>  |  | 2(2)                             | 0                                     | April 2013          | Customer Services Manager |

| 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>General Ledger – (26.12/13):</u></b></p> <p>An audit of General Ledger was undertaken as part of the approved internal audit plan and resulted in no recommendations being raised.</p>  |  | 0(0)                             | 0                                     | -                               | -   |
| <p><b><u>Risk Management – (28.12/13):</u></b></p> <p>An audit of Risk Management was undertaken as part of the approved internal audit plan and resulted in two 'Medium' risk recommendations being raised. Both recommendations have been accepted by management.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> <li>➤ Service risks should be updated by Managers on a quarterly basis; this will align the review process with the Corporate risk process. The additional quarterly reviews (currently every six months) could be just an update being provided by the manager rather than an update meeting facilitated by the Governance &amp; Risk Officer.</li> <li>➤ The Risk Management Group should: a) review the Service Risk Register on a quarterly basis; this will align the review process with the Corporate risk process; b) monitor actions from the Service Risk Register at each meeting.</li> </ul> | Advisory  | 2(2)                             | 0                                     | <p>March 13</p> <p>March 13</p> | <p>Finance Support Manager (Finance &amp; Risk)</p> <p>Finance Support Manager (Finance &amp; Risk)</p> |