

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report

Governance and Audit Committee Meeting – 27<sup>th</sup> June 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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## 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 the remaining four reports relating to the 2012/13 audit plan; these are in the areas of:

- **Leaseholder Recharges;**
- **Excess Charge Notices;**
- **Flexible Working Arrangements; and**
- **Data Security.**

## 3. WORK IN PROGRESS OR PLANNED

- 3.1 There is no further Work in Progress for 2012/13.

## 4. FINDINGS FROM INTERNAL AUDIT WORK

- 4.1 We have raised 15 recommendations across the four reviews that are being presented to this committee; one recommendation has been classified as 'High' Risk; eight 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 At the request of the Strategic Director (Corporate Focus), we have undertaken two additional reviews; these are 'Leaseholder Recharges' and 'Excess Charge Notices' and these are being presented at this Committee meeting.

## 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>Leaseholder Recharges</i></b>	<b><i>25/02/13</i></b>	<b><i>06/03/13</i></b>	<b><i>11/03/13</i></b>	<b><i>26/04/13</i></b>	<b><i>29/04/13</i></b>	<b><i>June 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>1</i></b>	<b><i>2</i></b>	<b><i>3</i></b>	<b><i>3</i></b>	
<b><i>Excess Charge Notices</i></b>	<b><i>01/04/13</i></b>	<b><i>04/04/13</i></b>	<b><i>14/04/13</i></b>	<b><i>25/04/13</i></b>	<b><i>26/04/13</i></b>	<b><i>June 2013</i></b>	<b><i>Risk Based</i></b>	<b><i>2</i></b>	<b><i>AMBER / GREEN</i></b>	<b><i>0</i></b>	<b><i>3</i></b>	<b><i>1</i></b>	<b><i>4</i></b>	<b><i>4</i></b>	
<b><i>Flexible Working Arrangements</i></b>	<b><i>07/03/13</i></b>	<b><i>18/03/13</i></b>	<b><i>21/03/13</i></b>	<b><i>10/06/13</i></b>	<b><i>10/06/13</i></b>	<b><i>June 2013</i></b>	<b><i>Risk Based</i></b>	<b><i>6</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>Data Security</i></b>	<b><i>11/03/13</i></b>	<b><i>15/03/13</i></b>	<b><i>21/03/13</i></b>	<b><i>15/05/13</i></b>	<b><i>15/05/13</i></b>	<b><i>June 2013</i></b>	<b><i>Key Controls</i></b>	<b><i>7</i></b>	<b><i>GREEN</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>	
Payroll & Expenses	4/11/12	08/11/12	14/11/12	27/11/12	28/11/12	March 2013	Risk Based	6	GREEN	0	0	5	5	5	
Land Charges	05/11/12	12/11/12	19/11/12	23/01/13	24/01/13	March 2013	Risk Based	4	GREEN	0	2	2	4	4	
Refuse Collection (inc. Bulky Waste)	26/11/12	30/11/12	10/12/12	11/02/13	11/02/13	March 2013	Risk Based	7	AMBER / RED	1	2	3	6	6	
Programme Management	26/11/12	10/12/12	12/12/12	29/01/13	30/01/13	March 2013	Risk Based	7	GREEN	0	0	4	4	4	
Green Waste	03/12/12	07/12/12	14/12/12	07/01/13	07/01/13	March 2013	Risk Based	5	GREEN	0	0	2	2	2	
Follow Up (3)	07/01/13	10/01/13	21/1/13	14/02/13	14/02/13	March 2013	Risk Based	5	ADEQUATE	2	4	0	6	6	
General Ledger/ Main Accounting System	04/02/13	0/02/13	11/02/13	11/02/13	11/02/13	March 2013	Risk Based	7	GREEN	0	0	0	0	0	
Risk Management	16/01/13	20/01/13	14/02/13	26/02/13	26/02/13	March 2013	Risk Based	6	ADVISORY	0	2	0	2	2	

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
Debtors	13/08/12	16/08/12	29/08/12	29/10/12	30/10/12	Dec 2012	Risk Based	6	AMBER / GREEN	0	2	7	9	9
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
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	AMBER / GREEN	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

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
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	-	-	-	-	-	-	-	21	-					
Management	-	-	-	-	-	-	-	15	-	-	-	-	-	-
<b>Total</b>								<b>197</b>		<b>12</b>	<b>45</b>	<b>55</b>	<b>112</b>	<b>112</b>

## Recommendation Categorisation

Our findings and recommendations are categorised as follows:

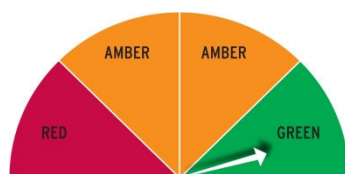
**High (H):** *action is imperative to ensure that the objectives for the area under review are met.*

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

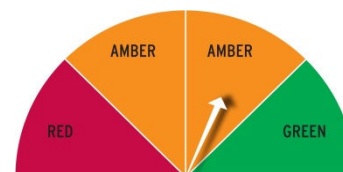
**Low (L):** *action advised to enhance control or improve operational efficiency.*

## ASSURANCE OPINIONS

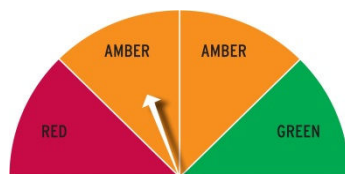
Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Governance & Audit Committee (or equivalent) with some context behind each of the ratings.



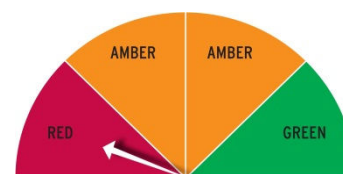
Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.



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.



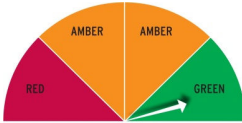
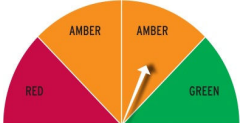
Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.

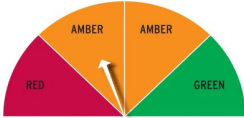


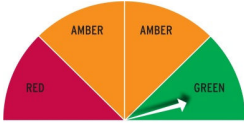
Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.

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>Leaseholder Recharges – (29.12/13):</u></b></p> <p>An audit of Leaseholder Recharges was undertaken at the request of the Strategic Director (Corporate Focus) and resulted in 1 'Medium' and 2 'Low' risk recommendations being raised and accepted by management.</p> <p>The Medium risk recommendations made was in relation to:</p> <ul style="list-style-type: none"> <li>➤ A check should also be undertaken to ensure each price up-lift has been calculated and applied correctly at the start of each new billing year.</li> </ul>		3 (3)	0	May 2013	Income Team Coordinator
<p><b><u>Excess Charge Notices – (30.12/13):</u></b></p> <p>An audit of Excess Charge Notices was undertaken at the request of the Strategic Director (Corporate Focus) and resulted in 3 'Medium' and 3 'Low' risk recommendation being raised and accepted by management.</p> <p>The Medium risk recommendations/ conclusions made were in relation to:</p> <ul style="list-style-type: none"> <li>➤ Cancelled tickets were not always supported by evidence to justify the cancellation.</li> <li>➤ Excess Charge Notices were cancelled multiple times for the same vehicle.</li> <li>➤ It cannot be confirmed that ECNs were written off after formal approval had been granted as the date of approval was not noted. Staff administering the 360 system on a day to day basis were not allocated unique user names and instead were all using the user account of 'BS'.</li> </ul>		4 (4)	0	<p>April 2013</p> <p>May 2013</p>	<p>Revenues Manager</p> <p>Head of Finance</p>

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>Flexible Working Arrangements – (31.12/13):</u></b></p> <p>An audit of Flexible Working Arrangements was undertaken as part of the approved internal audit plan and resulted in 1 ‘High’, 2 ‘Medium’ and 3 ‘Low’ risk recommendations being raised and accepted by management.</p> <p>The High risk recommendations made was in relation to:</p> <ul style="list-style-type: none"> <li>➤ Management should ensure that employee flexi time records are consistently checked and any errors or omissions identified and rectified accordingly. To evidence that these checks have been undertaken initials should be input into the ‘Managers Signature’ box on the spreadsheet and corresponding comments annotated on the spreadsheet if required.</li> </ul> <p>Sample checks of employee flexi-time records should be conducted by an independent officer who fully understands the Flexible Working Policy (such as a member of the central HR team) to ensure that there is a consistent approach to applying the policy across all Council departments and to ensure that employees are completing their records in line with the policy.</p> <p>The Medium risk recommendations made were in relation to:</p> <ul style="list-style-type: none"> <li>➤ All cells on the flexitime spreadsheet that contain formulae should be locked and protected (using a password) to prevent amendments.</li> </ul> <p>The flexitime spreadsheet should include the facility for manager’s to lock or protect completed spreadsheets once they have reviewed them, thereby allowing them to record their name on a sheet and prevent it from being edited in the future.</p> <p>Managers should be regularly reviewing flexitime spreadsheets and any error identified should be raised with employees and corrected.</p> <ul style="list-style-type: none"> <li>➤ The formula for calculating carry forward of ‘under’ hours should be amended to ensure that all hours under are carried forward.</li> </ul> <p>The part-time spreadsheet should use a formula in the cell “Maximum flexi-hours carried forward:”, and this cell should be locked so it cannot be altered by the user.</p>		6 (6)	1	<p>Spot checks will take place throughout the year.</p> <p>Reminder by 30<sup>th</sup> June 2013</p> <p>Available anytime</p> <p>Already implemented and risk mitigated</p> <p>Already implemented</p>	<p>HR &amp; OD Service Manager</p> <p>HR &amp; OD Service Manager</p> <p>HR &amp; OD Service Manager</p>

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>Data Security – Policy and Training – (32.12/13):</u></b></p> <p>An audit of Data Security – Policy and Training was undertaken as part of the approved internal audit plan and resulted in 2 ‘Medium’ risk recommendations being made; both 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>➤ Management should appraise their training and awareness requirements for Information / Data Security and ensure that all members of staff receive a relevant level of training for their use of IT and role in the organisation in relation to information handling. There should be a comprehensive approach for all members of staff commencing with a mandatory induction session and a periodic refresher training session which covers information and data security. (Planning Department)</li> <li>Management should also create a single repository containing training attendance records for all staff at the Council. (Corporate Level)</li> <li>➤ Management should implement stronger logical security controls within the APAS system. These should reflect the settings of other systems in use at the Council.</li> </ul>		2 (2)	0	<p>31 October 2013</p> <p>31 December 2013</p>	<p>Development Service Manager</p> <p>Development Service Manager</p>