

South Kesteven District Council

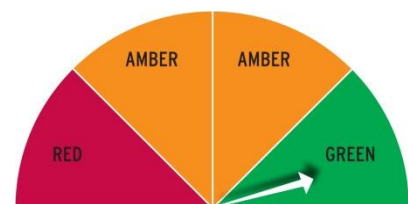
Corporate Governance

FINAL

Internal Audit Report (3.13/14)

12 June 2013

Overall Opinion



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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 EXECUTIVE SUMMARY

1.1 Introduction

An audit of Corporate Governance, focussing on the Council's Constitution document, was undertaken as part of the approved internal audit periodic plan for 2013/14.

The Council's Constitution was first introduced in 2000 with the introduction of the Local Government Act 2000, and follows the Government's Model Constitution template. A copy of the Constitution is available on the Council website, and a hard copy is also provided to Members and Senior Officers of the Council. Amendments to the Constitution, following changes in legislation or Council procedure, are considered by a Constitution Committee. Subsequent recommendations to amend the Constitution are made by the Chair of the Constitution Committee, with the support of the Council's Monitoring Officer to Full Council meetings; where the amendments can be formally ratified. Following any amendments, a master copy of the Constitution is updated and circulated to Members and Senior Officers; as well as being updated on the Council's website.

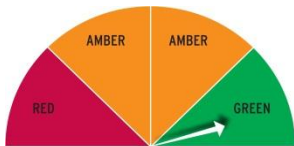
The Constitution Committee meets four times a year to tie in with full Council meetings. The Constitution Committee comprises of five Members; three Conservative, one Labour and one Independent; with Members being nominated and seconded at the Annual Full Council meeting in April each year. Agenda packs and supporting reports are sent out to Committee Members and other named interested parties in advance of the Committee meeting. All reports are reviewed by the Monitoring Officer and Democratic Officer for completeness, accuracy and quality before circulation.

The Constitution document has recently been reviewed by a Solicitor at Lincolnshire Shared Services for adequacy and completeness. A number of recommendations have been raised from the review, focussing on the structure and formatting of the document, and a provisional time scale of April 2014 has been set as the date for the changes to be delivered and implemented.

The audit was designed to assess the controls in place to manage the following objectives and risks:

| | |
|-----------|---|
| Objective | To ensure the Council's governance arrangements are adequate to provide assurance to management and Members and for accountability purposes. |
| Risk | The Constitution, including the Scheme of Delegation, Financial Regulations and information presented to Members, does not assist informed decision making. |

1.2 Conclusion



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

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Design of control framework

We found that the following controls were designed adequately:

- A Constitution document is in place which defines how the Council will conduct their business, how decisions are made, and the procedures to be followed to ensure the decisions are effective, efficient and transparent;
- The Constitution is subject to constant and ongoing review by the Monitoring Officer and the Constitution Committee;
- Updates to the Constitution are made and Council officers attend and provide professional knowledge to the Committee;
- All reports to the Constitution Committee are first reviewed by the Monitoring Officer and a Democratic Officer;
- All decisions made by the Constitution Committee are presented to the Full Council for ratification;
- A master copy of the Constitution is held by the Democratic Officer, with all ratified amendments being made within this copy and that published on the website;
- Prescribed Terms of Reference are in place for the Constitution Committee;
- The Constitution Committee has been formally delegated the authority to make recommendations to Full Council on amendments to the Constitution;
- Members sitting on the Constitution Committee do so following nomination and seconding at the Annual Full Council Meeting;
- A the Schedule of meetings is developed prior to the start of each new municipal year and circulated to all Members and senior officers;
- Attendance at the Constitution Committee is recorded to ensure the quorum of the Committee is met for each meeting;
- The agenda and supporting papers for each Constitution Committee meeting are sent out to Committee Members and other interested parties, and published on a timely basis to ensure informed decisions can be made.

Application of and compliance with control framework

We identified the following weakness which resulted in two low recommendations;

- No formal process is in place for the monitoring and recording of which Members and senior officers have collected and therefore updated their copy of the Constitution following amendments ratified by Council;
- Responsibility for identifying potential required amendments lies equally with service managers and the Monitoring Officer, and as such, there is no formal procedure in place to ensure all potential updates to the Constitution are notified to the Monitoring Officer for inclusion in Constitution Committee papers. Whilst the Monitoring Officer is confident that the Constitution is accurate based on current legislation and procedures, no assurance is received to confirm this is the case.
- The Membership makeup of the Constitution Committee corresponds to that required as documented within the Constitution;

1.3 Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively.

When planning the audit, the following limitations were agreed:

Limitations to the scope of the audit:

- Testing will be completed on a sample basis.
- We will not actively seek to detect fraud or error.
- It must also be noted that our work does not provide an absolute assurance that material errors, loss or fraud do not exist.
- We will not form an opinion on the adequacy and effectiveness of individual committees or comment on decisions made by these committees.
- We will not review any other Committees other than the Constitution Committee.
- We will not review the Financial Regulations.
- A separate review of Members Code of Conduct is planned as part of the 2013/14 internal audit plan.

The approach taken for this audit was a Risk-Based Audit.

1.4 Recommendations Summary

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Our recommendations address the design and application of the control framework as follows:

| | Priority | | |
|----------------------------------|----------|----------|----------|
| | High | Medium | Low |
| Design of control framework | 0 | 0 | 0 |
| Application of control framework | 0 | 0 | 2 |
| Total | 0 | 0 | 2 |

The recommendations address the risk within the scope of the audit as set out below:

| Risk | Priority | | |
|---|----------|----------|----------|
| | High | Medium | Low |
| The Constitution including the Scheme of Delegation, Financial Regulations and information presented to Members does not assist informed decision making. | 0 | 0 | 2 |
| Total | 0 | 0 | 2 |

2 ACTION PLAN

The priority of the recommendations made is as follows:

| Priority | Description |
|------------|--|
| High | |
| Medium | Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses. |
| Low | |
| Suggestion | These are not formal recommendations that impact our overall opinion, but used to highlight a suggestion or idea that management may want to consider. |

| | Recommendation | Categorisation | Accepted (Y/N) | Management Comment | Implementation Date | Manager Responsible |
|---|---|----------------|----------------|--|---------------------------|-------------------------------------|
| 1 | To ensure all Members and Senior Officers of the Council have an up to date version of the Constitution, records should be maintained of when each collects the updated pages. | Low | Y | All members are sent a copy by post to insert. A record is maintained of those sent out. A record of current issues will be put in place Officers will be informed by e-mail of amendments available and a record will be maintained of those collected. Those not collected will be reminded. The current revision of the constitution will be completed in April 2014 when it is proposed that a new version of the constitution will be rolled out. There will be a recall of all existing copy constitutions and a record kept of all those issued. | 1 st July 2013 | Head of Legal & Democratic Services |
| 2 | A formal procedure should be implemented to ensure all potential updates to the Constitution are notified to the Monitoring Officer for inclusion in Constitution Committee papers. | Low | Y | A pro-forma will be produced to permit any change required and officers will be periodically reminded to review relevant sections and provide updates. | September 2013 | Head of Legal & Democratic Services |

3 FINDINGS AND RECOMMENDATIONS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

| | Controls (actual and/or missing) | Adequate Design (yes/no) | Test Result / Implications | Recommendation | Categorisation |
|---|--|-----------------------------|--|---|----------------|
| | Risk: The Constitution including the Scheme of Delegation, Financial Regulations and information presented to Members does not assist informed decision making. | | | | |
| 1 | <p>A master copy of the Constitution is held by the Democratic Services Officer.</p> <p>Amendments approved by Full Council are updated on the master copy and details are updated on the Council's website.</p> | Yes | <p>A master copy of the Constitution, containing all ratified updates and amendments is held by the Democratic Services Officer. Amendments on the hard copy of the Constitution are highlighted to reflect the changes made.</p> <p>The Constitution is updated on the Council's website and Intranet page in a timely manner.</p> <p>Our review of nine recommendations considered by the Constitution Committee and ratified by Council found that all nine recommendations had been updated in the master copy of the Constitution.</p> <p>Once the Constitution has been updated, amended pages are made available to Members and Officers.</p> <p>There is no formal process in place for monitoring and recording which staff and Members have collected the amended pages of the constitution. There is a risk that decisions are made based on out of date information within the Constitution.</p> | <p>To ensure all Members and Senior Officers of the Council have an up to date version of the Constitution, records should be maintained of when each collects the updated pages.</p> | Low |

| | Controls (actual and/or missing) | Adequate Design (yes/no) | Test Result / Implications | Recommendation | Categorisation |
|---|---|--------------------------------|--|---|----------------|
| 2 | A formal process is in place to allow Council Officers to inform the Monitoring Officer of updates required to the Constitution for their relevant service areas. | Yes | <p>Council Officers are responsible for notifying the Monitoring Officer of any required amendments to the Constitution for their service areas. However, the Monitoring Officer does not receive assurance from Officers that the Constitution is up to date. As a result, any changes to legislation which would impact on the Council's Constitution may not necessarily be communicated to the Monitoring Officer.</p> <p>A previous internal audit recommendation regarding the updating of the Scheme of Delegation had not been formally reviewed and discussed by the Constitution Committee. As this Committee would be responsible for such decisions, any recommendations made of such a manner should be out to the Committee for discussion, acceptance and a subsequent proposal to Council.</p> | A formal procedure should be implemented to ensure all potential updates to the Constitution are notified to the Monitoring Officer for inclusion in Constitution Committee papers. | Low |