

South Kesteven District Council

Internal Audit Report (14.13/14)

FINAL

Follow Up of Previous Internal Audit Recommendations

5 November 2013

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Draft report issued:	15 October 2013		
Responses received:	05 November 2013	Client sponsor:	Richard Wyles, Head of Finance
Final report issued:	05 November 2013	Distribution:	Richard Wyles, Head of Finance David Scott, Finance Support Manager Tracey Elliott, Governance and Risk Officer

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

As part of the approved internal audit periodic plan for 2013/14 we have undertaken a review to follow up progress made by South Kesteven District Council to implement previous internal audit recommendations.

Recommendations with dates for implementation not yet due will be followed up later in the year.

At management's request, we have only followed up those recommendations classified as High and Medium risk. Recommendations categorised as Low risk are to be followed up separately by Council staff. It was also agreed that recommendations made in 'Advisory' reviews would not be followed up.

The audits considered as part of the follow up review were:

- 20.12/13 Land Charges
- 25.12/13 Follow Up (February 2013)
- 29.12/13 Leaseholder Recharges
- 30.12/13 Excess Charge Notices

The following reviews had no recommendations meeting the criteria for follow-up:

- 22.12/13 Programme Management
- 23.12/13 Green Waste Charges
- 26.12/13 General Ledger / Main Accounting System

The following Advisory reviews were excluded from the follow-up:

- 24.12/13 Welham Street Car Park
- 27.12/13 Vehicle Servicing
- 28.12/13 Risk Management

The 11 recommendations considered in this review comprised two 'high', and nine 'medium' recommendations.

Staff members responsible for the implementation of recommendations were interviewed to determine the status of agreed actions. Where appropriate, audit testing has been completed to assess the level of compliance with this status and the controls in place.

1.2 Conclusion

Taking account of the issues identified in the remainder of the report and in line with our definitions set out in Appendix A, in our opinion South Kesteven District Council has demonstrated adequate progress in implementing actions agreed to address internal audit recommendations.

We have reiterated recommendations where these have not yet been implemented. In addition, we have made new recommendations where appropriate; these are detailed in the action plan

1.3 Limitations to the Scope of the Audit

This review only covered audit recommendations previously made and did not review the whole control framework of the areas listed above. Therefore, we are not providing assurance on the entire risk and control framework of those areas.

The follow-up has covered only those recommendations rated High or Medium risk.

Recommendations made as part of advisory reviews have not been followed up.

Where testing has been undertaken, our samples have been selected over the period since actions were implemented or controls enhanced.

Our work does not provide any guarantee or absolute assurance against material errors, loss or fraud.

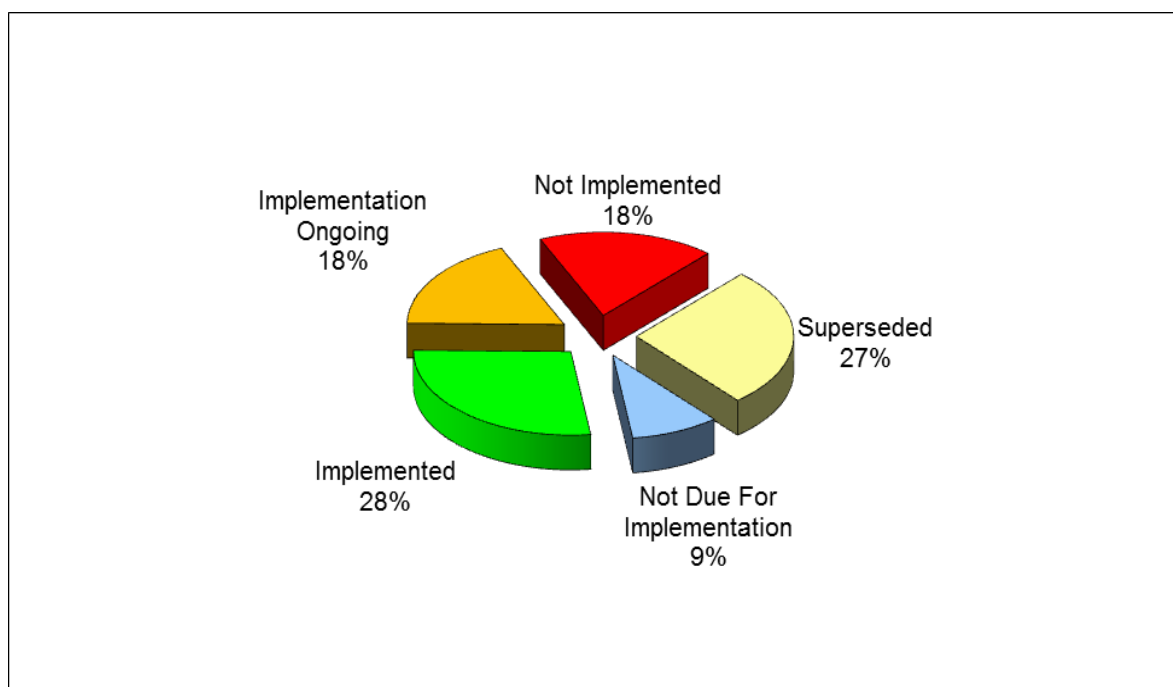
1.4 Recommendation Tracking

Recommendation tracking enhances an organisation's risk management and governance processes. It provides management with a method to record the implementation status of recommendations made by assurance providers, whilst allowing the Audit Committee to monitor actions taken by management.

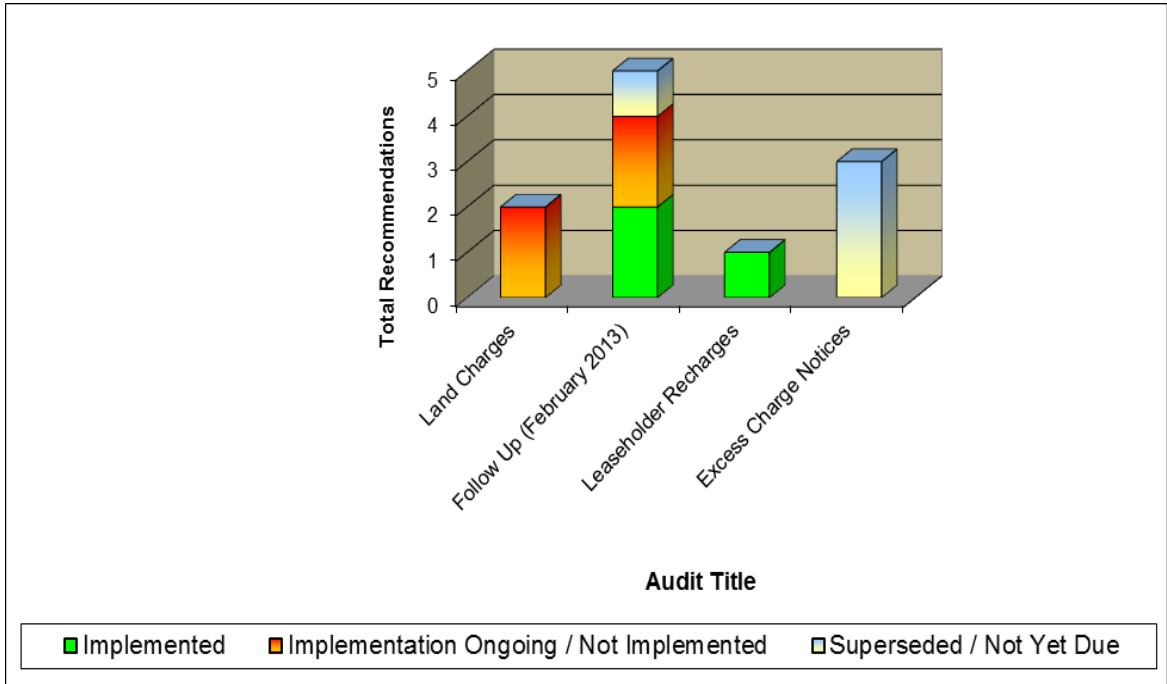
Recommendation tracking is undertaken by South Kesteven District Council's management on a regular basis, with an update provided to the Audit Committee at each meeting. As part of our Follow-up review, we have verified this information and completed audit testing to confirm the level of implementation stated and compliance with controls.

1.5 Status of Recommendations Followed Up

The pie chart below provides an overview of the status of recommendations that have been followed up as part of this review.



The bar chart below provides an overview of the status of recommendations that have been followed up as part of this review, grouped according to audit area:



2 Action Plan

The priority of the recommendations made is as follows:

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

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
20.12/13 Land Charges						
3.1.1	The Local Land Charges Register should be updated in a timely manner, once the notification has been received.	Medium	Y	Additional resources have been put in place which has released capacity within the Land Charges team to focus on updating the Land Charges Register and enable the Land Charges Officer to train other members of the team to undertake this roll in the future and ensure the register is updated in a timely manner.	December 2013	Service Manager Planning Policy & Partnerships
3.1.2	Approval should be obtained and retained on file to support the decision not to chase for the outstanding fee, if this is of a low value. An analysis of the income lost should be undertaken and be reported to management.	Medium	Y	Recommendation has been implemented. A process has been put in place to sign off the non-recovery of small individual debts and Land Charges Officers instructed to use this. A year-end report on loss of income will be prepared in March 2014.	October 2013	Service Manager Planning Policy & Partnerships
25.12/13 Follow Up (February 2013)						
3.2.1	02.12/13 Contract Management - Ground & Tree Maintenance When a service is retendered, the Council should ensure that resulting contract(s) is / are signed by all parties involved.	High	Y	Ground Maintenance contract is in the process of being retendered. Tenders have been received and evaluated. A new contract should be in place by March 2014.	March 2014	Team Leader - Operations

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
3.2.2	<p>02.12/13 Contract Management - Ground & Tree Maintenance</p> <p>When the new ground and tree maintenance contract is let it should be ensured that the contractor has responsibility for invoice preparation, and Grounds Maintenance staff are responsible for checking and agreeing the value as part of the payment authorisation process.</p>	Medium	Y	This will be agreed with the new contractor as the current contractor has not submitted a tender and therefore there will not be a continuance of this practise.	March 2014	Team Leader - Operations
3.2.3	<p>02.12/13 Contract Management - Ground & Tree Maintenance</p> <p>A program of scheduled inspections of work undertaken by the Contractor should be in place and followed, to ensure that there is an audit trail to evidence the monitoring that the work is being carried to an acceptable standard throughout the District.</p>	High	Y	The performance of the current contract is through self-monitoring by the contractor with random inspections by SKDC's Grounds Maintenance Coordinators. The new contract is based on an outcomes specification and we will work with the new contractor to ensure transitional and on-going arrangements are suitable to ensure satisfactory performance of the new contract.	March 2014	Team Leader - Operations

3 Findings and Recommendations

Each recommendation followed up has been categorised in line with the following:

Status	Detail
1	The entire recommendation has been fully implemented.
2	The recommendation has been partly though not yet fully implemented.
3	The recommendation has not been implemented.
4	The recommendation has been superseded and is no longer applicable.
5	The agreed date for implementing the recommendation has not yet been reached.

3.1	20.12/13 LAND CHARGES				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.1.1	The Local Land Charges Register should be updated in a timely manner, once the notification has been received.	Medium	March 2013	Land Charges Officer	2	Implementation has been delayed due to lack of capacity. Resources have been focused on reducing the Searches backlog, which has been completed, and work is now focusing on the backlog in registration of agreements. Recommendation restated.
3.1.2	Approval should be obtained and retained on file to support the decision not to chase for the outstanding fee, if this is of a low value. An analysis of the income lost should be undertaken and be reported to management.	Medium	March 2013 to be in place for 2013/14 financial year	Land Charges Officer	3	Financial Regulations are to be followed, which allow for values up to £50 to be written off by the Service Manager without the need to be countersigned. No analysis of income lost has been prepared. Recommendation restated.

3.2	25.12/13 FOLLOW UP (FEBRUARY 2013)				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.2.1	<p>02.12/13 Contract Management - Ground & Tree Maintenance</p> <p>When a service is retendered, the Council should ensure that resulting contract(s) is / are signed by all parties involved.</p>	High	March 2014	Property Development Manager	5	<p>Not Due to have been Implemented.</p> <p>A tender exercise for Ground and Tree Maintenance is in progress. Tenders have been received and are currently being evaluated.</p> <p>The new contract should be in place by the end of February 2014.</p> <p>Recommendation restated.</p>
3.2.2	<p>02.12/13 Contract Management - Ground & Tree Maintenance</p> <p>While it may not be possible to change procedures for the remainder of the current contract, procedures should be changed so that the Contractor has to undertake the invoice preparation on a monthly basis and Grounds Maintenance staff should be responsible for checking the value each month as part of the payment authorisation process.</p>	Medium	February 2013	Team Leader - Operations	3	<p>Not Implemented.</p> <p>Procedures could not be changed within the current contract; consequently Grounds Maintenance staff are still preparing the invoice.</p> <p>This situation will be addressed when the new contract in place.</p> <p>Revised recommendation made.</p>
3.2.3	<p>02.12/13 Contract Management - Ground & Tree Maintenance</p> <p>A program of scheduled inspections of work undertaken by the Contractor should be in place and followed, to ensure that there is an audit trail to evidence the monitoring that the work is being carried to an acceptable standard throughout the District.</p>	High	April 2013	Team Leader - Operations	2	<p>Being Implemented.</p> <p>There have been no changes made to current procedures; however the specifications for the tender have included additional requirements for reporting to allow inspections to be scheduled.</p> <p>Recommendation restated.</p>

3.2	25.12/13 FOLLOW UP (FEBRUARY 2013)				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.2.4	<p>11.12/13 Follow Up 29.11/12 Follow Up 37.10/11 ICT Resilience</p> <p>The Disaster Recovery arrangements with the external support provider should be formally rehearsed on an annual basis and an appraisal of each test undertaken.</p>	Medium	30 June 2013	ICTService Manager	1	<p>Implemented</p> <p>A dry run rehearsal Disaster Recovery workshop was undertaken in September, following which the disaster recovery contract equipment list was reviewed and the contract has now been renewed until October 2014.</p> <p>The contract and disaster recovery processes have been tested with a live replacement of the SAN (disk store) which affected around 100 servers.</p>
3.2.5	<p>16.12/13 NNDR</p> <p>The variances identified between the VOA Listing and the NNDR system should be investigated and resolved prior to the new system implementation. If there are known reasons for the variance these should be documented to provide a full audit trail.</p>	Medium	30 September 2012	Revenues & Benefits Service Manager	1	<p>Implemented.</p> <p>All variances had to be investigated and resolved before the data could be migrated to the new system.</p> <p>This migration was completed for 7 October 2012.</p> <p>The primary reason for differences was changes that had been made on the Council's system and notified to VOA, but the corresponding VOA Listing recognising the change on the VOA system has not yet been received.</p>

3.3	29.12/13 LEASEHOLDER RECHARGES				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.3.1	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.	Medium	May 2013	Income Team Coordinator	1	<p>Implemented.</p> <p>Annual bills for 2012/13 were confirmed to have been calculated using the correct percentage rate.</p>

3.4	30.12/13 EXCESS CHARGE NOTICES				FINDINGS	
Ref	Original Recommendation	Original Category	Original Impl'n Date	Manager Responsible	Status	Comments / Implications / Recommendations
3.4.1	Cancelled tickets were not always supported by evidence to justify the cancellation.	Medium	April 2013	Revenues Manager	4	Superseded. Car Parking Enforcement has been outsourced, and the Council is no longer responsible for the administration of Excess Charge Notices.
3.4.2	Excess Charge Notices were cancelled multiple times for the same vehicle.	Medium	-	-	4	Superseded. Car Parking Enforcement has been outsourced, and the Council is no longer responsible for the administration of Excess Charge Notices.
3.4.3	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'.	Medium	May 2013	Head of Finance	4	Superseded. Car Parking Enforcement has been outsourced, and the Council is no longer responsible for the administration of Excess Charge Notices.

Appendix A: Definitions for Progress Made

The following opinions are given on the progress made in implementing recommendations.

This opinion relates solely to the implementation of those recommendations followed up and not does not reflect an opinion on the entire control environment.

Progress in implementing recommendations	Overall number of recommendations fully implemented	Consideration of high recommendations	Consideration of medium recommendations	Consideration of low recommendations
Good	75% +	None outstanding.	None outstanding.	All low recommendations outstanding are in the process of being implemented.
Adequate	51 - 75%	None outstanding.	75% of medium recommendations made are in the process of being implemented.	75% of low recommendations made are in the process of being implemented.
Little	30 - 50%	All high recommendations outstanding are in the process of being implemented.	50% of medium recommendations made are in the process of being implemented.	50% of low recommendations made are in the process of being implemented.
Poor	< 30%	Unsatisfactory progress has been made to implement high recommendations.	Unsatisfactory progress has been made to implement medium recommendations.	Unsatisfactory progress has been made to implement low recommendations.

Appendix B: Data to Support our Opinion

Implementation Status by Review

Review	Total No. of recs agreed.	Status of Recommendation					Audit work confirmed as completed or no longer necessary (1)+(4)	No of recs carried forward for follow up at next review (2)+(3)+(5)
		Not due for implementation (5)	Implemented (1)	Implementation Ongoing (2)	Not Implemented (3)	Superseded (4)		
20.12/13 Land Charges	2	0	0	1	1	0	0	2
25.12/13 Follow Up (February 2013)	5	1	2	1	1	0	2	3
29.12/13 Leaseholder Recharges	1	0	1	0	0	0	1	0
30.12/13 Excess Charge Notices	3	0	0	0	0	3	3	0
Total	11 100%	1 9%	3 28%	2 18%	2 18%	3 27%	6 55%	5 45%

Implementation Status of Recommendations by Category

Recommendation Category	Total No. of recs agreed.	Status of Recommendation					Audit work confirmed as completed or no longer necessary (1)+(4)	No of recs carried forward for follow up at next review (2)+(3)+(5)
		Not due for implementation (5)	Implemented (1)	Implementation Ongoing (2)	Not Implemented (3)	Superseded (4)		
High	2	1	0	1	0	0	0	2
Medium	9	0	3	1	2	3	6	3
Total	11 100%	1 9%	3 28%	2 18%	2 18%	3 27%	6 55%	5 45%

Appendix C: Review of Completeness

2012/13 Reports Followed Up

Review	Total Number of Agreed Recommendations	Number of Recommendations Followed Up	Follow-up Report Reference
01.12/13 Follow-up (NNDR)	1	1	16.12/13
01.12/13 Follow-up (Cash & Banking)	1	1	17.12/13
01.12/13 Follow-up (Pool Cars)	1	1	25.12/13
02.12/13 Contract Management - Ground & Tree Maintenance	10	4*	25.12/13
03.12/13 Elections	4	0*	02.13/14
04.12/13 Licensing	1	1	02.13/14
05.12/13 Leases	6	6	02.13/14
06.12/13 Bookings System - Arts Centre	5	0 (Advisory)	25.12/13
07.12/13 Corporate Governance	1	1	25.12/13
08.12/13 Asset Management Plan	2	0*	25.12/13
09.12/13 Creditors & Procurement	5	2*	25.12/13
10 12/13 Repairs	11	9*	02.13/14
11.12/13 Follow Up	2	2	25.12/13
12.12/13 Rent Collection and Arrears	3	0*	25.12/13
13 12/13 Debtors	9	2*	02.13/14
14.12/13 Council Tax	1	1	25.12/13
15.12/13 Housing Benefit	2	1*	25.12/13
16.12/13 NNDR	4	2*	25.12/13
17 12/13 Cash and Banking	4	1*	02.13/14
18 12/13 Fire Risk Implications	3	0 (Advisory)	02.13/14
19 12/13 Payroll and Expenses	5	0*	02.13/14
20 12/13 Land Charges	4	2*	This Review
21 12/13 Refuse Collection (incl. Bulky Waste)	6	3*	10.13/14
22 12/13 Programme Management	4	0*	This Review
23 12/13 Green Waste Charges	2	0*	This Review
24 12/13 Welham Street Car Park	0	0 (Advisory)	This Review
25.12/13 Follow Up (Pool Cars)	1	1	01.13/14
25.12/13 Follow Up (Excluding Pool Cars)	5	5	This Review
26.12/13 General Ledger / Main Accounting	0	0	This Review
27.12/13 Vehicle Servicing	11	0 (Advisory)	This Review
28.12/13 Risk Management	2	0 (Advisory)	This Review
29.12/13 Leaseholder Recharges	3	1*	This Review
30.12/13 Excess Charge Notices	4	3*	This Review

* As per the agreement with management, only those recommendations categorised as High and Medium have been followed up. Low recommendations will be followed up as part of the Council's internal recommendation tracking process.

Recommendation(s) to be followed up as part of the review of the audit area included in the Internal Audit Strategic Plan for 2012/13.

2012/13 Reports Yet To Be Followed Up

Review	Total Number of Agreed Recommendations	Number of Recommendations To Be Followed Up	Follow-up Report Reference
31.12/13 Flexible Working Arrangements	6	3*	N/A
32.12/13 Data Security - Policy and Training	2	2	N/A
33.12/13 Review of Allegations - Process Mapping	0	0 (Advisory)	N/A

2013/14 Reports To Be Followed Up

Review	Total Number of Agreed Recommendations	Number of Recommendations To Be Followed Up	Follow-up Report Reference
01.13/14 Pool Cars	7	4*	N/A
02.13/14 Follow Up	1	1	N/A
03.13/14 Corporate Governance	2	0*	N/A
04.13/14 Code of Conduct and Register of Interests	1	0*	N/A
05.13/14 Fleet Management	6	3*	N/A
06.13/14 Disabled Facilities Grants	1	0*	N/A
07.13/14 Car Parks (Enforcement)	7	4*	N/A
08.13/14 Income Collection	3	0*	N/A
09.13/14 Leisure Management Contract	4	3*	N/A
10.13/14 Waste and Recycling	6	4*	N/A
11.13/14 Reactive Repairs and Maintenance	5	1*	N/A
12.13/14 Stamford Car Parking Income	Only at Draft Stage	0 (Advisory)	N/A

* As per the agreement with management, only those recommendations categorised as High and Medium have been followed up. Low recommendations will be followed up as part of the Council's internal recommendation tracking process.

Recommendation(s) to be followed up as part of the review of the audit area included in the Internal Audit Strategic Plan for 2012/13.