

SOUTH KESTEVEN DISTRICT COUNCIL

Internal Audit Progress Report (April 2009 – August 2009)

Governance & Audit Committee Meeting – 24 September 2009

Contents

Section		Page
1	Introduction	1
2	Final reports issued	1
3	Key Findings from Internal Audit Work	1
4	Work in Progress or Planned	1
5	Liaison with Management and External Audit	1
6	Changes to our Plan	2
Appendix A	Operational Plan Performance 2009/10	3
Appendix B	Executive Summaries and Action Plans	7
	<ul style="list-style-type: none">• Cash Security• Play Schemes• Car Loans• Licensing• Resident Involvement• IT Security Policies Review	
Appendix C	Internal Audit Protocol 2009/10	33

This report has been prepared for our client and should not be disclosed to any third parties, including in response to requests for information under the Freedom of Information Act, without the prior written consent of RSM Bentley Jennison and our client. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, it is based upon the documentation reviewed and information provided to us during the course of our work. Thus, no guarantee or warranty can be given with regard to the advice and information contained herein.

© Bentley Jennison Risk Management Limited 2007

Bentley Jennison Risk Management Limited

Bentley Jennison Risk Management Limited is wholly owned by RSM Bentley Jennison
Registered in England & Wales No. 3444889
Registered Office 1 Hollinswood Court Stafford Park 1 Telford TF3 3DE

1. Introduction

- 1.1 The periodic internal audit plan for 2009/2010 was approved by the Governance and Audit Committee on 28th May 2009. 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 6 reports; these are in the areas of:
- Cash Security (01.09/10);
 - Play Schemes (02.09/10);
 - Car Loans (04.09/10);
 - Licensing (05.09/10);
 - Resident Involvement (07.09/10); and
 - IT Security Policies Review (09.09/10).

The executive summaries and agreed action plans are included at Appendix B.

We have also included, for Members information, the Internal Audit Protocol (Appendix C) that will be followed during the course of the year when delivering the Internal Audit Plan. This will be subject to annual review.

3. Key Findings from Internal Audit Work

- 3.1 Of the six reports that have been finalised to-date five have been given a positive assurance opinion, however, the Cash Security audit resulted in a negative opinion being given. Management concerns were raised in relation to cash security at Council premises and the first piece of work undertaken by Internal Audit was to review the controls in place in relation to cash security; this has resulted in a limited assurance report being issued. We are satisfied with the progress that has been made against the Internal Audit Plan since its approval back in May 2009.

4. Work in Progress or Planned

- 4.1 IT audits are being undertaken by our IT specialist and these will be confirmed with the auditees separately. One piece of IT work (Data Quality Review) has been completed and the report will be presented at the next Governance & Audit Committee, following review by SMT.
- 4.2 Work in Progress consists of 6 audits as shown in Appendix A.
- 4.3 Management have requested a follow up audit of the recommendations made by the previous internal auditors in relation to Housing Management and this work has been scheduled for October 2009.
- 4.4 Audit commencement dates have been agreed with the auditees and all assignment planning sheets have been issued for Quarter 2. Internal Audit is currently working with management to agree Quarter 3 and Quarter 4 audits.

5. Liaison with Management and External Audit

- 5.1 An Internal Audit Protocol has been devised by the Council's Finance Department and Internal Audit; which sets out the key responsibilities of Internal Audit and SKDC Management, the audit process, performance of Internal Audit and the relationship with external audit. The Internal Audit Protocol is available to all staff on the Council's Intranet site.
- 5.2 Meetings are held with the Corporate Head (Finance & Customer Services) on a regular basis, as well as other senior management. Additional progress meetings have been agreed between Finance and Internal Audit to discuss the progress of the internal audit work against the audit plan and any issues that may arise.
- 5.3 Internal Audit will liaise with the Audit Commission through regular meetings and on an informal basis and will include audit coverage and performance of internal audit.

6. Changes to our Plan

- 6.1 There have been no changes to the plan.

Appendix A: Operational Plan Performance 2009/10

Detailed below is a summary of the work undertaken in 2009/10 to date, showing the levels of assurance given and the number of recommendations arising. Reports being considered at this Committee are shown in 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 and Audit Committee	Audit approach	Days	Assurance level given	Number of Recommendations Made					
										Actual (Planned)	F	S	MA	In Total	Agreed
Work completed to date															
Assurance	Cash Security	04/05/09	08/05/09	14/05/09	22/05/09	26/05/09	September 2009	KEY CONTROLS	5 (5)	LIMITED	0	7	4	11	11
	Play Schemes	22/06/09	26/06/09	30/06/09	14/07/09	14/07/09	September 2009	SYSTEMATIC	6 (6)	SUBSTANTIAL	0	0	1	1	1
	Car Loans	22/06/09	26/06/09	01/07/09	16/07/09	20/07/09	September 2009	SYSTEMATIC	5 (5)	SUBSTANTIAL	0	1	2	3	3
	Licensing	15/06/09	26/06/09	01/07/09	28/08/09	01/09/09	September 2009	SYSTEMATIC	6 (6)	ADEQUATE	0	4	2	6	6
	Resident Involvement	20/07/09	24/07/09	30/07/09	12/08/09	13/08/09	September 2009	SYSTEMATIC	5 (5)	SUBSTANTIAL	0	0	2	2	2
	IT Security Policies Review	03/08/09	07/08/09	24/08/09	27/08/09	01/09/09	September 2009	KEY CONTROLS	6 (6)	ADEQUATE	0	2	3	5	5*
Totals to date:								33 (33)		0	14	14	28	27	
Work in progress or yet to start (including reports still in draft)															
Assurance	IT (Inc BCP): Data Quality Review	10/06/09	16/06/09	01/07/09	01/09/09				9 (9)						
	Town Centre Management	13/07/09	17/07/09	30/07/09					8 (8)						

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance and Audit Committee	Audit approach	Days	Assurance level given	Number of Recommendations Made				
										Actual (Planned)	F	S	MA	In Total
Freedom of Information	20/07/09	24/07/09	06/08/09					4 (4)						
Procurement (Shared Services)	10/08/09	14/08/09	07/09/09					6 (6)						
Fleet Management	17/08/09	21/08/09	07/09/09					8 (8)						
Rent Collection & Arrears	07/09/09							(6)						
Debtors	14/09/09							(6)						
Cash & Banking	14/09/09							(6)						
Tenancy Business Support Services	14/09/09							(6)						
Performance Management	05/10/09							(8)						
Corporate & Service Plans	12/10/09							(5)						
Budgetary Control & Budget Setting	12/10/09							(6)						
Asset Register	12/10/09							(5)						
Members Allowances & Expenses	16/11/09							(8)						

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Governance and Audit Committee	Audit approach	Days	Assurance level given	Number of Recommendations Made				
										Actual (Planned)	F	S	MA	In Total
Housing Strategy/ Affordable Housing	16/11/09							(8)						
Absence Management	30/11/09							(5)						
Payroll	30/11/09							(6)						
Housing Benefit	30/11/09							(8)						
MOT Service (Project Phase)	30/11/09							(6)						
Risk Management	04/01/10							(6)						
Fraud & Corruption	04/01/10							(7)						
Corporate Governance	04/01/10							(5)						
Other	Follow Up: Housing Management	05/10/09						(3)						
	Other Follow Up	TBC						(7)						
	Audit Management	-	-	-	-	-	-	(15)						
	Contingency	-	-	-	-	-	-	(25)						
								Total Plan Days	68 (220)					

* One of the recommendations within the IT Security Policies Review has been partially accepted.

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

Fundamental (F): *action is imperative to ensure that the objectives for the area under review are met*

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

Merits Attention (MA): *action advised to enhance control or improve operational efficiency*

Opinions

Risk Based Internal Audit Assignments

The definitions for the level of assurance that can be given are:

	Level	System Adequacy	Control Application
(positive opinions)	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Adequate Assurance	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
(negative opinion)	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

Follow Up Reviews

Our opinions reflect the progress made in implementing previous internal audit recommendations:

(positive opinions)	Good Progress
	Reasonable Progress
(negative opinion)	Little Progress

Appendix B: Executive Summaries and Action Plans

01.09/10: Cash Security

Executive Summary

Introduction

An audit of Cash Security was undertaken as part of the approved internal audit periodic plan for 2009/10.

Management raised concerns regarding the security of cash held on the Council's premises and awaiting banking after a break-in at the Stamford Arts Centre, resulted in the safe containing the day's takings plus that day's income from the weekly market, being stolen.

The Council has moved to a range of non-cash methods of payments, which has resulted in most payments to the Council being made by other methods, including the 'All-pay' system. However, there remains a residual amount of cash payments due to the Council and these are received at the Customer Services Centres in Grantham, Bourne, Market Deeping and Stamford. The Council operates Arts Centres in Grantham and Stamford and Box Office takings are received in cash, cheque and electronic formats. Cash income is also generated from Markets and from Public Conveniences.

The specific risks considered as part of this audit were:

- Monies not being securely held prior to banking or when transferring to the bank.
- Staff are not aware of their roles and responsibilities relating to cash handling and security.
- Safes used to hold cash are not suitable or fit for purpose.
- Delays in banking results in excess cash being held.
- Staff has not received adequate training to handle cash and undertake banking.
- Cash held by the Authority exceeds the Insurance limits.

These risks relate to the objective of ensuring that cash collected by the Authority is held securely and is banked in a timely manner in accordance with Council Policies and Procedures.

Scope of the review

The objective of our audit was 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 carried out on a sample basis only;
- Our review will focus on the process for holding, transporting and transferring cash at Area Offices;
- This review will only cover the Art Centres and income from the markets;
- It must be noted that our work does not provide an absolute assurance that material errors, loss or fraud do not exist.

The approach taken for this audit was key Controls Testing and included the following:

- Establishing the risks affecting the achievement of your corporate objectives;

Reviewing the adequacy and application of the controls in place to mitigate the risks and testing to assess the extent or cause of problems identified.

Conclusion

Taking account of the issues identified, in our opinion the Committee can take limited assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

The limited assurance opinion is due to the large number of recommendations made that are graded 'significant'. However, we are confident that management will apply appropriate attention to each area of concern which will enable a positive opinion to be available after a future audit of this area.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of effectiveness, design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
EFFECTIVENESS OF CONTROL FRAMEWORK			✓
DESIGN OF CONTROL FRAMEWORK			✓
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK			✓
OVERALL OPINION			✓

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:

- Cash for banking from Stamford Arts Centre is carried daily through the streets by a member of staff to the nearby Customer Service Centre;
- Cash income from the Public Conveniences in Stamford is not collected frequently enough and is then carried through the streets to the Customer Service Centre, where the volume of coins for counting affects the smooth operation of the Centre;
- Security arrangements at the Stamford Arts Centre could be improved to help prevent further break-ins;
- Safes at Arts Centres and Customer Service Centres should be bolted to the floor;
- At Grantham Arts Centre, not enough staff are trained to carry out end of day cash reconciliations and to prepare bankings with result that cash accumulates when the Manager is on leave;
- Staff are not fully aware of the current cash holding limits set by the insurer for each safe; and
- Cash collected from market traders is retained in the Grantham Arts Centre safe over the weekend.

Recommendations Summary

The following tables highlight the number and categories of recommendations made, showing which have been brought forward from previous audits. 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:

RISK	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
MONIES NOT BEING SECURELY HELD PRIOR TO BANKING OR WHEN TRANSFERRING TO THE BANK.	0	3	1
STAFF ARE NOT AWARE OF THEIR ROLES AND RESPONSIBILITIES RELATING TO CASH HANDLING AND SECURITY.	0	0	1
SAFES USED TO HOLD CASH ARE NOT SUITABLE OR FIT FOR PURPOSE.	0	1	1
DELAYS IN BANKING RESULTS IN EXCESS CASH BEING HELD.	0	1	0
STAFF HAVE NOT RECEIVED ADEQUATE TRAINING TO HANDLE CASH AND UNDERTAKE BANKING.	0	0	1
CASH HELD BY THE AUTHORITY EXCEEDS THE INSURANCE LIMITS.	0	2	0
TOTAL	0	7	4

Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET.	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY.

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1	To eliminate carrying cash daily from the Arts Centre to the Customer Services Centre in Stamford, Group 4 Securitor should be asked to collect cash for banking directly from the Stamford Arts Centre.	Significant	Y	Group 4 to be instructed to collect from Grantham Arts Centre after the collection from CSC.	June 2009	Cultural Services Service Manager
2	Consideration is given to using Group 4 Securitor to empty the cash machines at the public conveniences in Stamford and to process the cash collected for banking.	Significant	Y	Investigations into G4 collecting from the public conveniences.	June 2009	Operations & Transport Manager
3	If cash surplus or deficits occur as a result of daily transaction, the difference should be coded as a surplus or deficit and banked in the normal method and not added or deducted from the issued float.	Merits Attention	Y	Guidance is issued from Accountancy to all petty cash holders.	July 2009	Financial Management Team Leader
4	A security survey is carried out at Stamford Arts Centre to determine what additional security measures could be implemented to improve the overall levels of security at this location.	Significant	Y	A security survey to be undertaken with recommendations for review and implementation consideration.	June 2009	Asset & Facilities Service Manager
5	Staff at Customer Service Centres responsible for the daily reconciliation of cash floats are reminded of the necessity to sign the control log sheet immediately after reconciling the float.	Merits Attention	Y	Guidance is issued from Accountancy to all petty cash holders.	September 2009	Customer Service Manager
6	Appropriate maintenance and periodic servicing arrangements should be put in place to ensure that all safes are maintained in serviceable condition.	Merits Attention	Y	Guidance to be issued from Assets & Facilities for the maintenance and upkeep of safes.	September 2009	Asset & Facilities Service Manager

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
7	All safes at Customer Service Centres and at Arts Centres should be adequately bolted to the floor and/or walls.	Significant	Y	Advice has been sought from our current insurers who advised that all safes with securing facilities should be secured. This has been communicated to all safe owners.	Immediately	Finance Support Team Leader
8	At Grantham Arts Centre, additional staff are trained to carry out the end of day reconciliation of the cash register takings and the preparation of cash for banking. This must ensure that appropriate cover is provided during times when the Arts Centre Manager is absent, enabling daily banking to be carried out at all times.	Significant	Y	Instruction has been issued to the Arts Centre Manager for this training to take place. Confirmation of the training will be requested.	June 2009	Arts Centre Manager
9	The Council ensures that the staff working alone at the Market Deeping Customer Service Centre are fully covered by the Council's Lone Worker Policy and that the staff involved are fully aware of and comply with, the requirements of this policy.	Merits Attention	Y	Staff are to be advised of the Loan Working Policy and steps taken to ensure their understanding.	September 2009	Customer Service Manager
10	Staff at Customer Service Centres and at Arts Centres are reminded of the current cash limits set by the insurers for each safe. Once cash limits have been ascertained, a separate exercise is carried out to ensure that they are not exceeded as a result of normal operations.	Significant	Y	Information relating to safe limits has been circulated to all service areas by the Insurance & Risk Officer	Immediately	Finance Support Team Leader
11	Methods of collecting stall rents from market traders are reviewed to identify if greater use could be made of invoicing stall holders or if the Markets Supervisor could be provided with swipe card facilities, enabling payment by credit or debit cards. If the volume of cash takings cannot be reduced, the options of directly banking market rents at the nearest branch of HSBC or via an Allpay card at a post office or other suitable location should be investigated.	Significant	Y	A current account is currently being opened at HSBC (situated within the market place in Grantham) for cash to be regularly deposited on a Saturday morning by the Market Inspector. Chip and Pin machines have also been ordered to operate through the same current account.	September 2009	Finance Support Team Leader

02.09/10: Play Schemes

Executive Summary

Introduction

An audit of Play Schemes was undertaken as part of the approved internal audit periodic plan for 2009/10. The audit took into consideration the Council's involvement with the Big Lottery Fund's Children's Play Initiative. The Big Lottery Fund allocated £124 million across local authorities based upon child population of each area and weighted by the level of deprivation. The Council were allocated a maximum of £242,858.

In order to access the funding, applications satisfying the conditions of the grant had to be submitted. This included collating a Play Strategy, 'Making Play Count in South Kesteven 2007-2012' was collated with the use of external consultant, Pinpoint Consulting, and adopted by the Council in August 2007. The strategy was used as the basis for developing project proposals that meet local play needs.

The Play Partnership was formed to develop the strategy resulting in a portfolio programme to be submitted in application to the Big Lottery Fund. A total of 15 applicants were independently assessed and scored by the external consultant. The six highest ranking applicants were put forward to the Big Lottery Fund in application for the total allocation of the grant. The Council were awarded the total amount of grant funding available (£242,858) to be split across the following projects:

- Fulbeck Playground;
- Allington Multi Use Games Area (MUGA);
- Creative Play;
- Ruston Road MUGA;
- Dowsby Project; and
- Woody Heights Skate Park.

At the time of the audit all five capital projects had been completed and the Council had received £209,540 from the Big Lottery Fund and paid £203,146 to its beneficiaries. The amount remaining to be claimed plus the amount of £6,394 accrued totalled £39,712. This amount is equal to the remaining grant payable to the Creative Play project (Year 2 - £20,356 & Year 3 - £19,356).

Reporting to the Healthy Communities Service Manager, the Community Leisure Officer is responsible for developing and sustaining the play provision, overseeing all projects from the Big Lottery Fund portfolio. This involves ensuring that the projects meet set criteria in order to achieve the outcomes and milestones which have been set with the Big Lottery Fund.

Regular reporting through Quarterly Monitoring Reports, update the Big Lottery Fund on progress towards these outcomes. In conjunction, the Council submits regular project summary tables accounting for all grant monies received and issued through to the individual projects. Any failure to meet conditions of grant would result in payments being withheld.

Steps were taken to ensure that the beneficiaries could meet the remaining project costs through match funding, the Council had no legal responsibility as set through the Grant Aid Agreements to contribute financially. Once complete the Council is not responsible for the maintenance, including health & safety aspects of the projects.

The specific risks considered as part of this audit were:

- Failure to access Big Lottery funding for play schemes and inappropriate procurement practices.

This risk relates to the objective of to ensure any funding is adequately agreed and spent on play schemes, in line with Council's objectives and policy.

Scope of the review

The objective of our audit was 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 controls and limitations were agreed:

Control activities relied upon:

- Proper involvement of accountancy and legal support before agreeing terms and conditions of lottery funding and procuring on behalf of schemes.

Limitations to the scope of the audit:

- Testing is on a sample basis only;
- It must be noted that our work does not provide an absolute assurance that material errors, loss or fraud do not exist.

The approach taken for this audit was systematic Audit and included the following:

- Establishing the risks affecting the achievement of your corporate objectives.
- Reviewing the adequacy and application of the controls in place to mitigate the risk.

Conclusion

Taking account of the issues identified, in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk, as currently laid down and operated, are effective.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of effectiveness, design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
EFFECTIVENESS OF CONTROL FRAMEWORK	✓		
DESIGN OF CONTROL FRAMEWORK	✓		
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK	✓		
OVERALL OPINION	✓		

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

Recommendations Summary

The following tables highlight the number and categories of recommendations made, showing which have been brought forward from previous audits. 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:

Risk	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
FAILURE TO ACCESS BIG LOTTERY FUNDING FOR PLAY SCHEMES AND INAPPROPRIATE PROCUREMENT PRACTICES.	0	0	1
TOTAL	0	0	1

Recommendations implemented since the previous audit in this area:

An audit of Play Schemes has not been previously reviewed by RSM Bentley Jennison Internal Audit.

Additional Feedback**GOOD PRACTICE IDENTIFIED DURING THE AUDIT**

Independent assessment and scoring of applications to determine the allocation of the grant monies.

Regular monitoring and reporting against established outcomes and milestones.

Non payment of funding to the beneficiaries until grant monies from the Big Lottery Fund and invoices from the provider had been received.

Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IIMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET.	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY.

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1	Management should introduce a protocol for formally documenting and recording future project site visits and correspondence within the Authority database. This should also include site visits undertaken by the Council's Assets and Facilities Department upon completion of a project.	Merits Attention	Y	Agreed to record as service requests on authority from henceforth for same or similar projects such as play builder.	Immediate	Healthy Communities Service Manager

04.09/10: Car Loans

Executive Summary

Introduction

An audit of Car Loans was undertaken as part of the approved internal audit periodic plan for 2009/10.

The Council has a Car Loan Policy in place which enables eligible staff to obtain loans from the Council for the purpose of purchasing a car, at favourable rates of interest.

The Car Loan Policy sets out the eligibility criteria for the scheme. We noted that the policy itself has not been reviewed and updated since December 2001 and that it is a brief document, with considerable scope for making it more informative and user friendly. A possible omission from the policy is specific guidance on how to proceed when an employee is made redundant and there is a car loan outstanding. Officers and members may consider that the existing rule requiring immediate repayment of outstanding monies may cause unnecessary hardship and that alternative arrangements should be specified.

There is limited take up of the loan facility at present. There are a number of reasons for this including: - generous incentives currently being offered by car dealers and eligibility restrictions which ensure that only certain grades of staff and high mileage users will qualify. However, we also noted that the scheme is not widely publicised, with no information available on the staff intranet.

Our audit work included testing of the application and authorisation process for loans. We found that all loans granted met the award criteria and that appropriate checking and authorisation procedures were in place. Our testing identified that in a small number of cases, the employee receiving the loan did not provide a copy of the vehicle registration document as required by the policy. This is a key control as it confirms that the loan has been used for the purpose intended and that the vehicle has been insured. As a result we have recommended that Finance staff follow up this requirement and ensure that the documents are obtained.

The specific risks considered as part of this audit were:

- There is an inadequate control framework in place governing the operation of the car loan system.
- Car loans are not repaid.
- There is insufficient take up of car loans.

These risks relate to the objective of ensuring that car loans are made in accordance with Council Policy, all details are accurate and complete and repayment is properly controlled.

Scope of the review

The objective of our audit was 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 is on a sample basis only;
- It must be noted that our work does not provide an absolute assurance that material errors, loss or fraud does not exist.

The approach taken for this audit was systematic audit and included the following:

- Establishing the risks affecting the achievement of your corporate objectives;
- Reviewing the adequacy and application of the controls in place to mitigate the risks.

Conclusion

Taking account of the issues identified, in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of effectiveness, design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
EFFECTIVENESS OF CONTROL FRAMEWORK	✓		
DESIGN OF CONTROL FRAMEWORK	✓		
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK	✓		
OVERALL OPINION	✓		

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

- Not all staff participating in the Car Loan Scheme have complied with the requirement to submit a copy of the Vehicle Registration Document.

Recommendations Summary

The following tables highlight the number and categories of recommendations made, showing which have been brought forward from previous audits. 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:

Risk	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
THERE IS AN INADEQUATE CONTROL FRAMEWORK IN PLACE GOVERNING THE OPERATION OF THE CAR LOAN SYSTEM.	0	1	1
CAR LOANS ARE NOT REPAYED.	0	0	0
THERE IS INSUFFICIENT TAKE UP OF CAR LOANS.	0	0	1
TOTAL	0	1	2

Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET.	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY.

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1	The Council's Car Loan Policy should be reviewed and updated, where necessary, to ensure that it remains fit for purpose. The opportunity should be taken to ensure that all areas of policy are covered and that the document is user friendly. Consideration should be given to making the Car Loan Policy available on the staff intranet.	Merits Attention	Y	The policy is currently under review which includes a comprehensive guide for usage and limitation. Upon policy approval the document will be made available on the Intranet and publicised on internal notice boards.	September 2009	Finance Support Team Leader and Car Loans Officer
2	Finance staff must ensure that all employees participating in the Car Loan Scheme provide a copy of the vehicle registration document to confirm that the loan provided as actually been used for the purpose intended.	Significant	Y	This has been standard practice for years but some lapses have occurred. It will be included in the reviewed policy as terms of the loan agreement.	September 2009	Finance Support Team Leader and Car Loans Officer
3	The Council should ensure that the availability of the Car Loan Scheme is appropriately publicised to all employees, including on the intranet and staff notice boards.	Merits Attention	Y	Upon policy approval the policy will be made available to all staff via the finance corporate area of the Intranet and through brief details displayed on all internal staff notice boards.	September 2009	Finance Support Team Leader and Car Loans Officer

05.09/10: Licensing

Executive Summary

Introduction

An audit of the Licensing function was undertaken as part of the approved internal audit periodic plan for 2009/10. The objective of our audit was to review all licensing operations and to confirm compliance with legislation and to ensure that licensing activities also contribute towards achieving the Council's objectives in relation to creating and maintaining a healthy environment.

The Council is responsible for receiving applications and issuing licenses for a wide range of business requirements. These range from licenses and permits for Street Collections and Lotteries to the licensing of taxis and riding schools. It also includes the licensing of premises and premises supervisors as required by the Licensing Act 2003. The 'Flare' system is used to maintain records of all licenses issued and application forms. Other documentary evidence in support of each application is scanned and stored electronically within Flare enabling it to be viewed on-screen at any time.

The Council will issue a license to all applicants who meet the strict eligibility requirements. Our audit testing confirmed that license applications and renewals are processed in a timely manner and all legislative requirements are satisfied. In particular, we confirmed that Hackney Carriage and Private Hire Vehicle Drivers undergo periodic medical examinations, are CRB checked and undertake a local knowledge test. Details of applications for premises licences and variations to existing licenses are passed to the Police and Fire Authorities for comment and the statutory notice period is followed. If a hearing is necessary, that too is held within the time limits specified.

The Council will always respond to complaints from the public and responsive investigations are carried out but our testing identified that little pro-active monitoring of compliance with license conditions is undertaken. It is agreed that this is good practice and is currently being pursued. Officers attend both pub watch with the licensees and regular meetings are held with representatives from the responsible authorities. Planned, unannounced visits enable compliance to be confirmed and also help to build positive relationships with licensees, improving co-operation and enabling intelligence to be gathered. Although not required under the legislation routine risk based inspections are being planned as an added service.

Similarly, with Hackney Carriages and Private Hire Vehicles; all complaints are responded to and actions are taken when licensed drivers receive convictions. Licensing Officers meet with drivers' representatives and from time to time, do monitor taxi ranks and have a presence on the streets. Examples of pro-active enforcement that are undertaken by other local authorities and which could easily be adopted by South Kesteven DC include: - periodic observation of taxi queues to ensure that private hire cars are not operating as Hackney Cabs or that unlicensed vehicles are operating and the setting up of joint initiatives with partner organisations including the Police, VOSA, DVLA and the DWP: to carry out periodic, unannounced checks to confirm that vehicles used are roadworthy, properly licensed and taxed. Management have stated that joint initiatives with partners have been undertaken but on an ad hoc basis. All vehicles are checked in a garage every 6 months to ensure that vehicles are fit for purpose and safe.

We noted that the Councils 'Statement of Licensing Policy', reviewed September 2007 states that "The Licensing Authority will ensure that all types of licensed premises and their operators, receive the appropriate level of attention, but on a risk based assessment basis". However, we found that the risk assessments of licensed premises have not been completed; no deadline has been set in the policy as to when routine proactive inspections will be undertaken.

The new policy on Hackney Carriages and Private Hire remains as "works in progress" and a target needs to be set for policy completion and implementation.

The intentions of the licensing legislation are aimed at the prevention of crime and disorder and public safety and the Council needs to consider if it is doing sufficient pro-active monitoring to carry out this essential public protection role.

We undertook our review and concentrated on the controls in place to mitigate the following risks if adequate controls are not in place:

- Laws and regulations relating to granting of licences are being breached, placing the Council in a position of facing legal action.
- Licences are issued without appropriate authorisation.
- Expired licences are not promptly detected.

Scope of the review

The objective of our audit was 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 carried out on a sample basis only.
- It must be noted that our work does not provide an absolute assurance that material errors, loss or fraud do not exist.

The approach taken for this audit was systematic audit and included the following:

- Establishing the risks affecting the achievement of your corporate objectives;
- Reviewing the adequacy and application of the controls in place to mitigate the risks identified.

Conclusion

Taking account of the issues identified, in our opinion the Board can take adequate assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
DESIGN OF CONTROL FRAMEWORK		✓	
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK		✓	
OVERALL OPINION		✓	

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:

- There is a significant imbalance in the priority afforded to granting licenses compared to the management time and resources allowed for compliance monitoring and enforcement activities; and
- A new policy for Hackney Carriages and Private Hire Vehicles requires completion, approval and implementation.

Recommendations Summary

The following tables highlight the number and categories of recommendations made, showing which have been brought forward from previous audits. 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:

Risk	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
LAWS AND REGULATIONS RELATING TO GRANTING OF LICENCES ARE BEING BREACHED, PLACING THE COUNCIL IN A POSITION OF FACING LEGAL ACTION.	0	4	2
LICENCES ARE ISSUED WITHOUT APPROPRIATE AUTHORISATION.	0	0	0
EXPIRED LICENCES ARE NOT PROMPTLY DETECTED.	0	0	0
TOTAL	0	4	2

Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET.	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY.

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1 a	As a matter of good practice, a planned programme of monitoring visits and inspections should be documented. Licensing Officers should ensure that records are maintained to confirm that these inspections take place and the outcome of the visit.	Merits Attention	Y	An inspection schedule is in the process of being drawn up. Inspections will be monitored using flare database. Inspection reports will be scanned into Flare database.	October 2009	Environmental Protection Service Manager
1b	On an on-going basis risk assessment of all licensed premises should be carried out to identify all high risk premises.	Significant	Y	Risk based inspection form has been drafted as a discussion document. Will be discussed with the team and a final version produced for use by October 2009.	October 2009	Environmental Protection Service Manager
2 a	A planned programme of monitoring visits and inspections should be documented. Licensing Officers should ensure records are maintained to confirm that these inspections have taken place, the vehicles inspected that were inspected and the outcome.	Merits Attention	Y	All vehicles are already required to undergo a full compliance test (MOT+) at a designated garage every 6 months. Pro active inspections, based on a monthly target of vehicles checked, is being devised. Inspection forms will be scanned and attached to database.	October 2009	Environmental Protection Service Manager

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
2 b	As a matter of good practice, the Council should enter into a joint working arrangement with VOSA to carry out periodic, unannounced inspections confirming; that the vehicles are correctly licensed, are complying with the license and the VOSA team to confirm that the vehicle is taxed, registered and roadworthy.	Significant	Y	VOSA inspections require garage facilities which have cost implications. Periodic joint inspections, working with both police and VOSA are planned, within manpower and budgetary constraints.	December 2009	Environmental Protection Service Manager
2 c	The new, robust policy for Hackney Carriages and Private Hire Vehicles should be completed as soon as possible. Target completion dates should be set for each stage of the approval and implementation process, leading to full implementation at the earliest date.	Significant	Y	Agreed.	Completion of Draft – October 2009 Committee and Consultation – December 2009. Final draft approved – March 2010	Environmental Protection Service Manager
3	All of the licensing risks and mitigating controls / monitoring processes currently active should be identified and evaluated to confirm that the current status of the risks is understood by management and is accurately recorded in the Risk Register.	Significant	Y	The licensing risks will be evaluated and entered onto the service risk register.	October 2009	Environmental Protection Service Manager

07.09/10: Resident Involvement

Executive Summary

Introduction

An audit of Residents Involvement was undertaken as part of the approved internal audit periodic plan for 2009/10.

As a responsible social landlord, the Council takes its responsibility to involve its tenants and leaseholders in the consultation and decision making processes, very seriously. Residents involvement is defined as “a two-way process that involves both tenants and their landlord in the sharing of ideas, where tenants are able to influence decisions and take part in what is happening”. When carrying out inspections of Housing and Tenancy Services, the Audit Commission follows specific key lines of enquiry in order to assess the effectiveness and efficiency of services.

The Council has produced a Tenant & Residents Involvement Strategy 2008/11. This sets out the Council’s commitment to involving its tenants in the decision making process and the support and encouragement that it will provide to interested tenants. Staff have devised a wide range of ways for encouraging residents to become involved, enabling interested residents to choose a particular involvement pathway to meet both their area of interest and the amount of time that they are able to contribute.

There are currently eleven fully constituted Neighbourhood Groups in operation, all of which have implemented the Council’s standard template constitution. This constitution reflects the best practice guidelines issued by the Tenants Participation Advisory Service. The District Wide Tenants Panel has a co-ordinating role for all of the involvement processes and includes representatives from each of the Neighbourhood Groups. The resident involvement process feeds into the Housing Consultative Group. This includes representatives from the District Wide Tenants Panel and also an equal number of Council Officers, confirming the whole joint approach to involvement.

Following a recent inspection by the Audit Commission, a Better, Efficient, Services for Tenants (BEST) improvement plan has been put in place in order to implement all of the recommendations for improvement. Progress towards implementation of the recommendations for improvement is reported to the Housing Consultative Group. A re-inspection by the Audit Commission is planned for January 2010 and good progress is being made towards implementation of the BEST plan, ahead of this date.

The Council makes full use of all available media including leaflets and the internet to promote the concept of residents’ involvement to all tenants and leaseholders; and aims to attract interest from residents of all ages, ethnicity and disability. The Council uses the quarterly tenant’s newsletter, ‘Skyline’, to keep all tenants informed of service developments and of improvements brought about as a result of the resident’s involvement process.

Scope of the review

The objective of our audit was 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 is on a sample basis only.
- It must be noted that our work does not provide an absolute assurance that material errors, loss or fraud do not exist.

The approach taken for this audit was systematic Audit and included the following:

- Establishing the risks affecting the achievement of your corporate objectives;
- Reviewing the adequacy and application of the controls in place to mitigate the risks.

Conclusion

Taking account of the issues identified, in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
DESIGN OF CONTROL FRAMEWORK	✓		
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK	✓		
OVERALL OPINION	✓		

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

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:

RISK	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
A RESIDENT INVOLVEMENT POLICY HAS BEEN PRODUCED.	0	0	2
THE COUNCIL HAS ESTABLISHED A BUDGET FOR RESIDENTS INVOLVEMENT BASED ON REASONABLE ASSUMPTIONS AND SUPPORTING INFORMATION.	0	0	0
COUNCIL TENANTS ARE ABLE TO INFLUENCE SERVICES THROUGH THE ESTABLISHMENT OF RESIDENT GROUPS.	0	0	0
THE COUNCIL PROVIDES REGULAR UPDATES TO ITS TENANTS TO KEEP THEM INFORMED OF SERVICE DEVELOPMENTS.	0	0	0
THE COUNCIL PROVIDES ITS TENANTS WITH ANNUAL FEEDBACK ON PERFORMANCE.	0	0	0
THE COUNCIL REGULARLY SURVEYS ITS TENANTS FOR LEVELS OF SATISFACTION.	0	0	0
TOTAL	0	0	2

Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET.	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY.

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1	The Tenant & Resident Involvement Strategy should be reviewed and updated annually to ensure that it remains up-to-date.	Merits Attention	Y	The Strategy will be reviewed by the end of October 2009 and annually thereafter.	October 2009	Service Manager (Tenancy and Neighbourhood Services)
2	The Council should focus future recruitment activity on the under 30 year old tenants with the objective of addressing the current under representation of this age group.	Merits Attention	Y	As recognised during the audit, we are taking action to target specific age groups but we recognise there is still work to do to achieve representation of this age group. We will include articles in the tenants' magazine and specifically target the u30s with information on the benefits of 'being involved'.	will commence September 2009	Service Manager (Tenancy and Neighbourhood Services)

09.09/10: IT Security Policies Review

Executive Summary

Introduction

An audit of IT Policies and Procedures was undertaken as part of the approved internal audit periodic plan for 2009/10.

As stated in the current ICT Strategy 2008-12, South Kesteven District Council is working towards broad compliance with the Information Security Management standard ISO27001. One of the requirements of this standard is that a framework of information security policies and procedures need to be developed and embedded into the organisation. An independent ISO27001 gap analysis audit, undertaken in October 2007, identified that the Council still required a number of policies and procedures to be implemented before they could be considered compliant with the standard.

The specific risk considered as part of this audit was:

- Security standards have not been implemented, leading to the security of IT systems being compromised and/or data being lost, damaged, unavailable or unlawfully disclosed to unauthorised persons.

This risk relates to the objective of ensuring:

- Policies and procedures are in place to assist with the management of IT and Information Security.

Scope of the review

The objective of our audit was 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:

- This review focussed on management, directive and procedural controls and did not consider related technical controls in place.

The approach taken for this audit was key Controls Testing and included the following:

- Establishing the risks affecting the achievement of corporate objectives;
- Reviewing the adequacy and application of the controls in place to mitigate the risk(s).

Conclusion

Taking account of the issues identified, in our opinion the Board can take adequate assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

A substantial amount of work has been undertaken to develop a framework of information security and associated IT policies, in broad compliance with the requirements of the ISO 27001/2 standard. However, many of these policies are currently in draft format and have not been promulgated throughout the organisation. Accordingly, until these policies have been fully implemented within the organisation, the risk remains that appropriate information security standards have not been embedded within the Council.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of effectiveness, design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
DESIGN OF CONTROL FRAMEWORK		✓	
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK		✓	
OVERALL OPINION		✓	

The 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:

- Information security policies are currently in draft format and have not been issued and publicised throughout the Council. Accordingly, until these policies have been fully embedded within the organisation, appropriate security standards may not be in place, increasing the risk of IT systems being compromised and/or data being lost, damaged, unavailable or unlawfully disclosed to unauthorised persons.

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:

RISK	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
SECURITY STANDARDS HAVE NOT BEEN IMPLEMENTED, LEADING TO THE SECURITY OF IT SYSTEMS BEING COMPROMISED AND/OR DATA BEING LOST, DAMAGED, UNAVAILABLE OR UNLAWFULLY DISCLOSED TO UNAUTHORISED PERSONS.	0	2	3
TOTAL	0	2	3

Additional Feedback**GOOD PRACTICE IDENTIFIED DURING THE AUDIT**

A substantial amount of work has been undertaken to draft a suite of IT policies in broad compliance with the ISO 27001/2 standard for Information Security Management.

The new framework of Information Security policies in final draft include the following:

- Information Security Management System;
- Information Classification Policy;
- Cryptographic controls policy;
- Acceptable Use policy;
- Home working policy;
- Systems Monitoring policy;
- System Documentation policy;
- Physical Entry Controls and Secure Areas policy;
- Information Back up policy;
- Access Control policy; and the
- Information Security policy (which was approved in January 2009).

Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
1	The role of system "owner" should be formally assigned and documented for all key business systems. Formal system "owner" responsibilities should be drafted stating that this role is responsible for the security of information systems, as stated in the Council's Information Security Policy.	Merits Attention	Y	This recommendation is accepted and a formal document will be created to identify a system 'owner' and associated responsibilities.	1 st Nov 2009	Andy Nix
2	The Council should continue with the current plans to formally approve and implement the draft security policies, as soon as it is practical.	Significant	Partial	This recommendation is partly accepted. The security policy is approved by cabinet. Current draft policies will be formally be approved.	1 st Nov 2009	Andy Nix
3	The current framework of policy documents should be supplemented to cover all areas of Information Security as defined by the ISO27001/2 standard for Information Security Management.	Merits Attention	Y	It is agreed that this merits attention. The Council is working towards broad compliance with the ISO27001 standard. A new gap analysis will be carried out. Where significant risks continue in a gap analysis to the standard then this will be addressed.	1 st Nov 2009	Andy Nix

REF	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
4	The Council should commence a staff awareness programme to embed the new policies and obtain formal, documented confirmation from staff that they have read, understood and agree to comply with the Information Security policies.	Significant	Y	This recommendation is accepted. Staff awareness of relevant policies and documented confirmation will be sought.	1 st Jan 2010	Andy Nix
5	The Council should develop an appropriate disclaimer at user sign on. This should, clearly state that Council systems are for internal use by employees only and that user access is subject to user agreement to abide by the relevant information security policies.	Merits Attention	Y	This recommendation is accepted. Methods to achieve this will be investigated.	1 st Jan 2010	Andy Nix

Appendix C: Internal Audit Protocol – 2009/10

The Council's approved internal auditors are RSM Bentley Jennison (BJ).

Set out below is the Internal Audit Protocol that will be followed in delivering Internal Audit work. This will be reviewed and updated annually.

Key Contacts - RSM Bentley Jennison:

Rob Barnett – Audit Manager (01159620900 & 07791237658)

Amjad Ali, – Assistant Audit Manager (01159620900 & 07721977543)

Key Contacts - SKDC:

Malcolm Gorringe, Interim Service Manager, Finance & Risk (x6511)

Tracey Elliot, Finance Support Officer (x6237)

Richard Wyles, Corporate Head & s151 officer (x6210)

Internal Audit (BJ) and SKDC Management Responsibilities

It is BJ's responsibility to ensure that the key stages in the audit process detailed below are met within the scheduled timescales e.g. assignment planning, fieldwork, draft report, etc. It is management's responsibility to ensure that they fully engage with the audit process to enable each key stage to be progressed as scheduled. This will provide managers with assurance on their internal control systems and will assist in the strengthening of internal control in underpinning service delivery. It will also assist in the management of corporate and operational risk and provide the Corporate Head (Finance and Customer Services) with the necessary s.151 assurance.

AUDIT PROCESS

Audit Needs Assessment and Annual Plan 2009/10

Initially, meetings were held with senior management (including Heads of Service and s.151 Officer) to ascertain areas of risk/ focus for Internal Audit work; previous audit plans and reports and the Council's corporate and operational risk registers have also been reviewed.

A draft audit plan for 2009/10 (and indicative plans for 2010/11 & 2011/12) was compiled and issued to senior management for comments; once agreed, a final version was presented to the Governance and Audit Committee and approved at its meeting on 28th May 2009. This plan has been used as the basis for planning each audit assignment.

Individual Assignment Planning

The Annual Audit Plan is assigned on a quarterly basis into detailed arrangements for individual audit visits and assignments. During 2009/10, 27 reviews will be undertaken plus any agreed ad-hoc work.

Prior to the beginning of each planned audit visit, the Client Manager for BJ will develop an Assignment Planning Sheet (APS) for each audit and agree audit commencement dates with relevant service managers. At this stage, Service managers should decide to what extent their Corporate Head should be involved in the audit process.

The APS is used to record the scope and objectives of the audit and to identify potential risks in the area under review. The APS includes objectives, risks and controls and provides service managers with a broad indication of the likely risks and controls that will be examined during the audit.

The APS also covers “Resources”, i.e. the logistics of the audit assignment. This includes allocating audit staff, confirming the commencement date and number of days allocated and identifying which managers will respond to the findings and recommendations and receive the draft and final reports.

The APS is sent well in advance of the audit (at least quarterly in advance) with the opportunity for managers to make comments/amendments to the APS. The APS will have deemed to be finalised if no comments or amendments are received 5 working days prior to the commencement of the audit.

Undertaking audit work

On the first day of the audit, the auditor will have an initial meeting with the relevant line manager(s) and/or Corporate Head(s); discussions include reviewing the APS (and making any amendments, if necessary) and obtaining any relevant background information (including documentation requested in the APS). It is important that all relevant managers are notified immediately if there are any material amendments to the APS.

The APS should be signed and dated by the Lead Manager with a signed copy retained by the auditor; having already been signed and dated by the Audit Manager.

The audit work is undertaken for the agreed duration of the audit and a working file is prepared with documentary evidence and tests carried out and the results.

Any issues arising are discussed with Council's officers during the course of the audit.

Client Debrief (Exit Meeting)

Once the fieldwork is completed, the auditor will request a post-audit discussion referred to as a “debrief” with the appropriate line manager(s) and/or Corporate Head(s). The purpose of this meeting is to discuss and agree the findings and recommendations arising from the audit and to obtain initial acceptance of the recommendations made.

Draft Report

A draft audit report will normally be issued to the relevant manager(s) and/or Corporate Head(s) within 10 working days of the end of the audit visit or post-audit discussion (debrief). The Interim Service Manager and Finance Support Officer will also receive a copy of the draft report.

The draft is issued to the relevant line manager to:

- comment on any factual inaccuracies that may appear in the report;
- comment on the recommendations contained within the report;
- complete the action plan with the job title of the manager responsible for the implementation of agreed recommendations and target date for their implementation.

(Note: there may be instances where the number of recommendations or the categorisation of recommendations differs on the draft report to that discussed at the debrief, as all work is subject to audit manager review prior to the draft being issued)

Management's Response to the Draft Report

Relevant managers and/or Corporate Head(s) will respond to the draft report, complete the action plan and return direct to BJ within 15 working days of receipt (but see below). Where possible, the Lead Manager will coordinate the response.

All draft reports assessed as "limited", including the management response will be presented to the Monthly Governance Meeting for review (see below). The Corporate Head (Finance & Customer Services) will lead on this and report back with details of any further action required by managers before the report is sent to BJ to be finalised.

Customer Satisfaction Questionnaire

Commensurate with the issue of the draft report, a satisfaction questionnaire will be sent by BJ to the relevant manager(s) who will be required to complete and return this form to Tracey Elliot, Finance Support Officer within 15 working days of receipt. This will enable independent measurement of the quality of the internal audit service to be made and will be reported to the Governance & Audit Committee through in-year progress and annual reports.

Final Report

The agreed final report will be issued within 10 working days of receipt of managements' response to the draft report. The Corporate Head, S151 Officer, Interim Service Manager and Finance Support Officer will also receive a copy of the final report.

Reporting to Monthly Governance Meeting

All draft reports with "limited assurance", i.e. where the assurance level on the basis of the conclusions drawn on the individual elements of effectiveness, design and application of controls in place has been assessed as "limited" will be discussed at monthly meetings. This will give Governance Officers an opportunity to review the findings and recommendations before the report is finalised. In addition, the report can be considered alongside any governance or other issues that may be relevant to the area under review. Unless Governance Officers have requested otherwise, all other audit reviews will be finalised prior to the outcomes being reported verbally to the meeting by the Corporate Head (Finance & Customer Services).

Follow-Up – Tracking Audit Recommendations

It is important that agreed audit recommendations are implemented by the due date. To ensure that they are, internal audit will undertake a follow up review approximately six-months after the issue of the final report to establish the extent to which recommendations have been implemented. The findings will be discussed and agreed with the line manager(s) and reported at each meeting to the Governance & Audit Committee. Any residual/additional issues will be followed-up after a further 3-month period. Whilst there are no intermediate planning date stages covering follow-up an overall timeframe will be agreed in advance.

Reporting to the Governance & Audit Committee

This is on 4 levels as follows:

- Approving the Audit Needs/Risk Assessment and Annual Audit Plan at the start of the year
- Receiving progress reports from BJ summarising the findings and recommendations arising from audit work to date. Care will be taken when dealing with any sensitive information
- Receiving progress reports from the Corporate Head (Finance & Customer Services) on progress in implementing audit recommendations (tracking report)
- Receiving an Annual Report from BJ covering internal audit work undertaken throughout the year and providing an overall opinion on the assurance framework that forms part of the Council's Annual Governance Statement that accompanies the Statement of Accounts.

Covalent

Details of the Annual Audit Plan and the recommendations arising from each audit review are set up in Covalent to facilitate performance monitoring and progress chasing. Service Managers are responsible for regularly updating the list of outstanding recommendations with action taken (including notes) so that up to date progress reports can be taken direct from the system. This information is also used to inform the monthly Pit Stop reports to SMT.

Performance of Internal Audit (BJ)

This will be reviewed on a monthly basis by the Corporate Head (Finance & Customer Services) by reference to:

- Delivery of the audit plan and the quality of recommendations
- Implementation rate for audit recommendations
- Results of customer satisfaction questionnaires
- Use of Resources assessment and periodic review by District Audit
- Degree of on-site presence and response to call outs (max. 24hours)

Relationship with External Audit (DA)

BJ will consult with DA on a number of issues through regular liaison meetings but also on an informal basis. This will include:

- overall planning processes to ensure that audit plans and review cycles are complementary and that the use of audit resources is maximised without duplication.
- internal audit performance having regard to the Council's overall arrangements for governance and the use of resources assessment
- the approach to the internal audit of core financial systems. This is to ensure that the internal audit plan provides the necessary coverage and assurance in the areas of providing an opinion on the Authority's Accounts and to assess the Authority's arrangements for ensuring sound systems of internal control.