

South Cambridgeshire District Council

Internal Audit Progress Report

December 2009

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1. Introduction

- 1.1 The periodic internal audit plan for 2009/10 has previously been approved by the Corporate Governance Committee. This report summarises the outcome of work completed to date against the plan, and Appendix A provides cumulative data in support of internal audit performance.

2. Final Reports Issued

- 2.1 We have issued the following 2009/10 final reports since the last Corporate Governance Committee:
- Payroll;
 - General Ledger (including Budgetary Control);
 - Cash, Banking and Treasury Management; and
 - Income and Debtors.

3. Key Findings from Internal Audit Work

- 3.1 The Corporate Governance Committee should note that the assurances given in our audit assignments will be taken into account when we form our overall opinion on the assurance that we can provide in our Annual Report at the end of the year. In particular the Corporate Governance Committee should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.
- 3.2 No common weaknesses have been identified within our reports.

4. Work in Progress or Planned

- 4.1 The following audits from the 2009/10 plan are currently at the draft report stage:
- ICT Review;
 - Capital Expenditure and Asset Management;
 - Creditors;
 - Procurement;
 - Insurance;
 - Council tax; and

- NNDR

4.2 There are currently no reviews at the fieldwork

5. Changes to our Plan

5.1 There have been no changes to the Audit Plan since the last Corporate Governance Committee. However, the scope of the outstanding work is currently in discussion with management.

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 below.

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

Auditable Area	Date Planned	Date Completed	Status	Audit approach	Days Planned	Days Actual	Last year actual	Assurance level given	Number of Recommendations Made				
									F	S	MA	In Total	Agreed
Work complete to date													
Housing Responsive Repairs (1)	09/04/09	17/04/09	Final Report Issued	Systematic	8	8	8	Adequate	0	0	11	11	11
Housing Maintenance – Planned & Cyclical (2)	11/05/09	28/05/09	Final Report Issued	Systematic	8	8	8	Adequate	0	2	7	9	9
Absence Management (3)	22/06/09	30/06/09	Final Report Issued	Systematic	8	8	8	Adequate	0	2	5	7	7
Emergency Planning and Business Continuity (Civil Contingency Act) (4)	13/07/09	17/07/09	Final Report Issued	Key Controls	8	8	8	Substantial	0	1	3	4	4
Review of Counter Fraud Arrangements (5)	29/07/09	31/07/09	Final Report Issued	Thematic	10	10	5	Advisory	0	2	6	8	8
Contract Services (6)	20/07/09	23/07/09	Final Report Issued	Systematic	8	8	8	Adequate	0	4	4	8	8
Housing Rents (7)	12/08/09	18/08/09	Final Report Issued	Key Controls	8	8	8	Adequate	0	2	3	5	5
Risk Maturity (8)	Jul-09	14/08/09	Final Report Issued	Advisory	8	8	8.5	Risk Managed	0	2	10	12	12
Housing Allocations and Voids (9)	12/08/09	24/08/09	Final Report Issued	Systematic	8	8	10	Adequate	0	0	6	6	6
General Ledger (11)	21/09/09	24/09/09	Final Report Issued	Key Controls	7	7	6	Adequate	0	0	4	4	4
Payroll (including Expenses & Pensions) (13)	05/10/09	14/10/09	Final Report Issued	Key Controls	12	12	12	Substantial	0	0	0	0	0

Auditable Area	Date Planned	Date Completed	Status	Audit approach	Days Planned	Days Actual	Last year actual	Assurance level given	Number of Recommendations Made				
									F	S	MA	In Total	Agreed
Cash, Banking & Treasury Management (14)	15/10/09	19/10/09	Final Report Issued	Key Controls	7	7	6	Substantial	0	0	1	1	1
Income & Debtors (15)	19/10/09	21/10/09	Final Report Issued	Key Controls	7	7	6	Substantial	0	0	4	4	4
Totals to date:					107	107	101.5		0	15	64	79	79

Auditable Area	Date Planned	Date Completed	Draft Issued	Status	Days Planned	Audit approach	Assurance level given	Number of Recommendations Made					
								F	S	MA	In Total	Agreed	
Work in progress or yet to start (including reports still in draft)													
ICT Review (10)	07/09/09	15/09/09	24/09/09	Management Responses being discussed	10								
Capital Expenditure and Asset Management (12)	21/09/09	24/09/09	06/10/09	Awaiting Management Responses	7								
Creditors (16)	26/10/09	30/10/09	5/11/09	Awaiting Management Responses	7								
Procurement (17)	19/10/09	30/10/09	12/11/09	Awaiting Management Responses	8								
Insurance (18)	06/11/09	11/11/09	19/11/09	Awaiting Management Responses	6								
Council Tax (19)	16/11/09	23/11/09	26/11/09	Awaiting Management Responses	7								
NNDR (20)	09/11/09	12/11/09	26/11/09	Awaiting Management Responses	7								
Housing Benefits	04/01/10				14								

Performance Management	11/01/10				8							
Environmental Health	01/02/10				8							
Customer Services	01/02/10				8							
Growth	23/03/10				10							
Housing Futures					10							
Corporate Governance	02/03/10				8							
Annual Governance Statement	Feb 10				10							
Follow Up	22/02/10				7							
Contingency					8							
Total					143							

Appendix B: Client Briefings

Client Briefing Local Economic Assessments

CB LG 04.09 October 2009

Introduction

The Local Democracy, Economic Development and Construction Bill places a new duty on county councils and unitary district councils to produce an assessment of the economic conditions of their area. This assessment is known as a local economic assessment. Local economic assessments are designed to provide local authorities and its partners with a common understanding of local economic conditions.

The Department for Communities and Local Government (CLG) has published draft statutory guidance which is designed to help local authorities prepare for the introduction of local economic assessments in April 2010 (subject to the passage of legislation). The Improvement and Development Agency (IDeA) and the Planning Advisory Service (PAS) has also published guidance on *How to do a Local Economic Assessment*. This briefing draws on information from both of these documents to provide a summary of local economic assessments.

What are Local Economic Assessments?

Local economic assessments should provide information on local economic conditions and include information on the economic, social and environmental factors that have an impact on economic growth. Some of the information used to inform local economic assessments is already gathered and so the local economic assessment is designed to bring economic evidence into one base so that it essentially tells the story of the region.

The evidence provided in the local economic assessment should inform local, sub-regional and regional economic strategies. It should also provide evidence for the future development of the region as set out in the regional strategy (another provision introduced as part of the Local Democracy, Economic Development and Construction Bill).

Local economic assessments are designed to:

- Provide an understanding of the economic conditions in the area and how it affects both residents and businesses.
- Set out the strengths and weaknesses of the local economy and the type of local economic challenges and opportunities.
- Identify the local economic geography, which should include the economic linkages between the area that is being assessed and the wider economy.
- Identify any local constraints to economic growth and employment and any risks with regards to delivering sustainable economic growth.

What Should An Economic Assessment Contain?

When developing a local economic assessment local authorities should take into account a broad range of factors and will need to work across different types of service areas, for example economic development and regeneration, planning, transport, education and skills and sport and culture. Local economic assessments will need to be consistent so they can inform sub-regional and regional strategies. As such CLG advises local authorities to work with their regional development agency (RDA) and other partners to ensure that consistency across the region is established.

To ensure this consistency is achieved the local economic assessment should address a core set of themes:

Business and Enterprise

- Structure of the local economy.
- Overall economic competitiveness of the area.
- Enterprise and innovation.
- Business needs.

People and Communities

- Labour market (including employment and unemployment rates).
- Skill levels.
- Economic inclusion.

Sustainable Economic Growth

- Environmental sustainability.
- Housing and infrastructure.

This list is not definitive and local authorities are free to include any other issues that are important to their area.

When developing local economic assessments local authorities should consider undertaking worklessness assessments. It is important that links between economic growth and wider social and environmental issues are made. Local economic assessments should contain evidence about the natural environment and include information on how pressures resulting from economic activity could protect and enhance the natural world. It should also interlink with wider social issues such as health, crime, child poverty and examine for example the extent to which sports and cultural facilities, broadband provision and overall quality of the region can help to either hinder or attract investment and a well qualified workforce.

The idea behind the assessment is to help enable the local authority to paint a fair and true picture its area. It should be forward looking and provide information on how the local authority sees the local economy in the future. Importantly, local economic assessments should be based on both appropriate and proportionate data and evidence. Evidence can be gathered from national sources as well as data held by local, sub-regional and regional partners. Local economic assessments should provide an explanation of the methods that were used to make assumptions / judgements and any limitations should be noted.

Use of Data

National data sources will be an important tool when developing the local economic assessment. Information on national data sets regarding local development is available at www.data4nr.net. When undertaking analysis local authorities should think about what data needs to be collected and the key questions that need to be asked to enable the appropriate analysis to take place. *How to do a Local Economic Assessment* includes a core set of 10 questions that local authorities should consider before seeking data to analyse.

Reflecting Economic Geography

The Government believes that local economic assessment should reflect real economic geographies or functional economic market areas. Functional economic market areas are essentially spatial areas that can be mapped by a number of key indicators of economic activity and across areas. In defining functional economic market areas a number of common indicators are used. Local authorities should view these indicators and choose those that are most relevant to their area. The boundaries of a functional economic market area vary and so it is up to local authorities to determine those features of the economy that should be considered. Where there are strong economic links local authorities should consider collaborating with other local authorities in producing the local economic assessment.

Informing Local Strategy

Local economic assessments are designed to inform local authorities sustainable community strategies. This will then inform their local area agreements (LAAs) and the economic interventions of local strategic partnership (LSPs). They should also inform other local strategies such as local development frameworks, housing strategies, local transport plans and where appropriate work and skills plans. It is important that local economic assessments form part of the evidence base upon which local development frameworks (LDFs) are prepared.

Once local economic assessments are completed they will complement the comprehensive area assessment (CAA). Inspectorates will consider how well local authorities have used their local economic assessment to inform both the development and delivery of local priorities and strategies.

Collaborating

Under the Local Democracy, Economic Development and Construction Bill county councils are required to both consult and seek the participation of district councils within their area. *How to do a Local Economic Assessment* includes a useful list of questions that should be considered by both county and district councils in their aim of developing effective working with each other.

Local authorities should also seek to engage partners. As a minimum, local authorities should consult LAA partners that are particularly related to economic development. Local authorities should also consult representatives of local businesses, environmental advisers and the views of parish and town councils should be taken into consideration when developing the local economic assessment.

Regional Strategies

Every region outside of London is required to produce a regional strategy. Regional strategies essentially set out the economic, social and environmental priorities of the region. Local economic assessments should be used as part of the evidence base for regional strategies and the implementation plan that will accompany it. Annual monitoring reports are required for regional strategies and local economic assessments should be used in the development of these reports.

When Should Local Economic Assessments Be Completed?

The duty to prepare a local economic assessment is expected to come into force in April 2010. As such local authorities should begin to prepare their assessments from this date. CLG expects local authorities to complete their first assessments within six to nine months. Local authorities should ensure that local area assessments are kept up to date and remain fit for purpose. It is important that assessments remain relevant so that they can help keep the sustainable community strategy up to date and help to strengthen LAA negotiations. Local economic assessments should be reviewed on an annual basis and formally revised every three years. The first revisions are likely to take place by 2013 and should take no more than six months to complete.

How We Can Help

Creating a consistent and coherent assessment is likely to present a challenge; therefore our Consulting team may be able to work with you to create a robust local economic assessment. Our Consulting team can also offer capacity support with project management and strategy development; providing advice and guidance to ensure that the core themes are covered and that local economies are appropriately assessed. For those local authorities that have moved forward with development, we are able to offer check and challenge for financial models, and help to ensure that the appropriate links are made with the required partners and stakeholders to produce an effective local economic assessment.

If you require further information or support please contact Amy Hinchliffe on 07778514763 or alternatively via email at amy.hinchliffe@rsmbentleyjennison.com

Client Briefing RSM Bentley Jennison joins forces with Tenon

CB Gen 04.09 December 2009

You are probably aware, from recent press coverage, that we recently announced our intention to merge with Tenon Group Plc on 30 December 2009.

As you may know, Tenon is a large, established national practice with excellent audit and advisory teams and a significant strength in public sector audit and advisory work. Like us, Tenon is a modern, dynamic and successful practice, pursuing an aggressive growth strategy through acquisition as well as strong organic development. This merger creates a new and significant force in professional services, since both practices have a clear and consistent vision to become the leading UK adviser to the public and not for profit sector by focusing on providing flexible and innovative customer-focused solutions.

The firm, which will be called RSM Tenon, will remain the UK's largest provider of internal audit and risk management services to the public sector providing a comprehensive range of governance, audit, anti fraud, forensic, consultancy and software solutions. RSM Tenon will now provide services to an even larger public sector client base increasing the opportunities for sharing best practice and facilitating benchmarking among our clients.

As a PLC with more than 3,000 staff and locations throughout the UK, the business as a whole will have significant financial strength and a support infrastructure, around key areas such as Technical support, HR (including training) and IT, to match. The deal will complete on 30 December 2009. But, other than a different name, letterhead and some changes to our livery, our people, our communication mechanisms and our service delivery to our clients will remain unchanged.

However, we can say with certainty that this merger will bring you added benefits. You will have an even larger team to draw resources from, more public sector technical experts at your disposal, substantially increased investment in technical and sector based training, and the further development of best-practice methodologies.

Given that this merger can only bring positive benefits to our clients we look forward to continuing to work closely with you under our new name RSM Tenon.