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RSM Tenon

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Internal Audit Progress Report

Corporate Governance Committee Meeting: 29 June 2012

Recommendation: That the Committee **Notes** the Internal Audit Progress Report

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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1. INTRODUCTION

1.1 The periodic internal audit plan for 2011/12 was approved by the Corporate Governance Committee in March 2011 and 2012/13 plan approved by the Corporate Governance Committee in March 2012. This report summarises the outcome of work completed to date against that plan.

2. FINAL REPORTS ISSUED

2.1 We have finalised ten 2011/12 reports since the last Committee meeting; these are in the areas of:

- Housing Allocations (8.11/12);
- National Non Domestic Rates (14.11/12);
- Cash, Bank and Treasury Management (16.11/12);
- Capital Expenditure and Asset Management (17.11/12);
- Housing Benefits (21.11/12);
- Follow Up (22.11/12);
- Proactive Fraud Review (23.11/12);
- Performance Management (24.11/12);
- Financial Top Up Testing (25.11/12); and
- Partnerships (27.11/12).

We have finalised one 2012/13 report since the last Committee meeting; this is in the area of:

- Section 106 Housing and Other Requirements including Open Spaces (1.12/13).

2.2 Appendix A summarises our opinions and the number of recommendations made during 2011/12 to date.

3. KEY FINDINGS FROM INTERNAL AUDIT WORK

- 3.1 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 for 2011/12. Management have agreed all of the recommendations in the reports finalised at 2.2 above, with agreed target dates for implementation.
- 3.3 The Annual Report for 2011/12 is included as a separate agenda item for the Committee.

4. WORK IN PROGRESS OR PLANNED

- 4.1 We have issued one draft report from the 2011/12 audit plan since the last Committee meeting; this is in the area of:
- Environmental Health – Discretionary Fees in Relation to Taxi Licensing, Water Sampling and Zoo Licensing (26.11/12).
- 4.2 The following reviews are currently at the fieldwork stage:
- Medium Term Financial Strategy (MTFS)
 - Planning and Growth

5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

- 5.1 Since the last Corporate Governance Committee we have met with Management to discuss the progress of the audit plan and to scope a number of 2011/12 audits.

6. CHANGES TO OUR PLAN

- 6.1 There have been no changes to the audit plan since the last meeting.
- 6.2 We currently have an agreed protocol with the External Audit (Audit Commission) to ensure maximum reliance can be placed on our work and reduce where possible any duplication. Following the changes to External Audit for 2012/13 (as a result of the national procurement exercise reported previously), the new External Auditors may have a differing methodology which could result in the protocol changing moving forward. This may impact on the level of resources required within the Internal Audit Plan to deliver the protocol. We are in contact with the Audit Commission to discuss any early indications of what this may involve and will report back to the Corporate Governance once further information is known.

7. CLIENT BRIEFINGS

7.1 There has been two client briefings issued since the last Corporate Governance Committee. These are included at Appendix E.

APPENDIX A: 2011/12 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASURANCE LEVELS AND RECOMMENDATIONS

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee	Assurance level given	Number of Recommendations Made				
								Actual	High	Medium	Low	In Total
<i>Housing Allocations and Voids (8.11/12)</i>	13/09/2011	19/09/11	14/10/11	26/04/12	27/04/12	June 2012		0	1	2	3	3
<i>NNDR (14.11/12)</i>	20/10/2011	28/10/11	09/11/11	22/05/12	22/05/12	June 2012		0	0	8	8	8
<i>Cash, Banking & Treasury Management (16.11/12)</i>	14/11/2011	17/11/11	13/12/11	25/05/12	25/05/12	June 2012		0	2	3	5	5
<i>Capital Expenditure and Asset Management (17.11/12)</i>	17/11/2011	22/11/11	22/12/11	09/05/12	09/05/12	June 2012		1	3	3	7	7
<i>Housing Benefits (21.11/12)</i>	23/01/2012	27/01/12	06/02/12	13/03/12	13/03/13	June 2012		0	0	0	0	0
<i>Follow Up (22.11/12)</i>	16/01/2012	19/01/12	16/02/12	23/05/12	24/05/12	June 2012	ADEQUATE PROGRESS	0	7	1	8	8
<i>Proactive Fraud Review (23.11/12)</i>	20/2/2012	-	03/04/12	31/05/12	31/05/12	June 2012	ADVISORY	0	0	0	7	7

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
<i>Performance Management (24.11/12)</i>	<i>22/03/2012</i>	<i>28/03/12</i>	<i>05/04/12</i>	<i>27/04/12</i>	<i>27/04/12</i>	<i>June 2012</i>		<i>0</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>2</i>
<i>Financial Top Up Testing (25.11/12)</i>	<i>19/03/2012</i>	<i>23/03/12</i>	<i>05/04/12</i>	<i>25/05/12</i>	<i>25/05/12</i>	<i>June 2012</i>		<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>1</i>
<i>Partnerships (27.11/12)</i>	<i>12/04/2012</i>	<i>17/04/12</i>	<i>09/05/12</i>	<i>24/05/12</i>	<i>25/05/12</i>	<i>June 2012</i>		<i>1</i>	<i>2</i>	<i>0</i>	<i>3</i>	<i>3</i>

APPENDIX B: 2012/13 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASURANCE LEVELS AND RECOMMENDATIONS

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee	Assurance level given	Number of Recommendations Made				
						Actual		High	Medium	Low	In Total	Agreed
<i>Section 106 Housing and Other Requirements including Open Spaces (1.12/13)</i>	-	19/04/12	02/05/12	29/05/12	29/05/12	June 2012		0	3	4	7	7
Totals to date:								0	3	4	7	7

APPENDIX C: 2011/12 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)

Auditable Area	Start Date	Debrief date	Draft report issued
Environmental Health (26.11/12)	29/03/2012	29/03/12	02/05/12

APPENDIX D: 2012/13 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)

Auditable Area	Start Date	Debrief date	Draft report issued	Comments
Medium Term Financial Strategy (MTFS)	21 May 2012	07 June 2012		Work in QA Stage
Planning and Growth Lack of Development Progress	21 May 2012	11 June 2012		Work in QA Stage
Corporate Governance	02 July 2012			
Housing Rents	10 August 2012			
Asset Management (Housing)	13 August 2012			
Repairs – Partnership Arrangements	13 August 2012			
Supported Housing	17 September 2012			
Housing Allocations and Voids	17 September 2012			
Insurance	18 September 2012			
Risk Management	19 November 2012			
General Ledger	24 September 2012			
Capital Expenditure and Asset Management	27 September 2012			
Creditors	01 October 2012			
Income & Debtors	08 October 2012			
Procurement	09 October 2012			
NNDR	07 November 2012			
Cash, Banking & Treasury Management	08 November 2012			
Payroll (including Expenses & Pensions)	12 November 2012			

Auditable Area	Start Date	Debrief date	Draft report issued	Comments
Council Tax	16 November 2012			
Housing Benefits	13 December 2012			
Reconciliation testing	11 December 2012			
Environmental Health / Waste	03 January 2013			
Annual Governance Statement	18 February 2013			
Follow Up	18 February 2013			
Top up testing	11 March 2013			
Performance Management	11 March 2013			
ICT Review	TBC			

APPENDIX E: CLIENT BRIEFINGS

RSM Tenon's Local Government Update – April 2012

This update provides information on some of the recent key publications and issues concerning local government.

The 2012 Budget Statement – implications for local government

The Chancellor, George Osborne, delivered his Budget statement for 2012 on 21 March. Key points for local government organisations to note include: an additional £10bn in welfare cuts by 2016/17 on top of the £18bn previously announced; gradual withdrawal of child benefit through an income tax charge for households with an occupant earning between £50,000 and £60,000 and complete withdrawal for households with an occupant earning over £60,000; a freeze of Local Housing Allowance rates for one year from April 2012; and limitation of Housing Benefit payments to working age social-rented sector tenants who underoccupy their properties from April 2013. The Government has also replaced the previous Housing Revenue Account subsidy system with a self-financing model and launched a reinvigorated Right to Buy for council housing tenants, replacing the current range of regional caps on discounts with a higher single cap of £75,000. In addition, the Government has committed to accelerating the release of public sector land to meet its ambition of building over 100,000 homes by April 2014 and has introduced its National Planning Policy Framework which consolidates over 1,300 pages of inherited policy into a new 50 page document. Other Budget outcomes include: consultation on simplifying the Carbon Reduction Commitment energy efficiency scheme to reduce administrative burdens; introduction of more local, market-facing public sector pay reform for those civil service departments that entered the pay freeze in advance of other workforces and exited it from April 2012; and provision of £30m to local authorities in England to support transitional costs to new local support schemes for council tax.

National Planning Policy Framework

The Department for Communities and Local Government (CLG) has published its new National Planning Policy Framework following consultation. The new 50 page Framework document provides guidance to councils in drawing up local plans and on making decisions on planning applications. The aim of the new simplified Framework is to better support economic growth, create homes and jobs, and put power into the hands of local communities so that every area in the UK can develop a clear local plan which reflects the views and aspirations of local people on how they wish their community to develop. The final Framework retains the key elements of the draft Framework published in July 2011, including: enshrining the local plan - produced by local people - as the keystone of the planning system; making planning much simpler and more accessible; establishing presumption in favour of sustainable development; guaranteeing protections for natural and historic environment; and encouraging the use of brownfield land in a way determined locally.

Accountability system for local government and fire and rescue departments

The CLG has published a document which sets out the core accountability system, concerned with issues such as financial management and democratic accountability, for local and fire and rescue authorities for the financial year 2012/13. The document sets out current funding systems, legislation and guidance and indicates expected changes during 2012. As set out in HM Treasury's *Managing Public Money*, as the lead accounting officer for local authorities, the CLG accounting officer is now required to publish accountability system statements explaining how accountability for the grants they distribute to local bodies is achieved and demonstrate that the appropriate accountability mechanisms are in place.

Fighting Fraud Locally

The Home Office has unveiled a new strategy for local authorities in their fight against fraud. The new strategy, *Fighting Fraud Locally* provides a range of new approaches and best practice which form a 'blueprint' to equip local authorities to better protect themselves against fraud including housing and council tax fraud. The

new strategy has been published following an eight-month review led by the National Fraud Authority, supported by the CLG, and includes: a fraud checklist to help local authorities identify possible gaps in current fraud response; an online fraud resilience check to help local authorities measure resilience to fraud and assess the need for improvements; a counter-fraud and corruption e-learning training course to help councils raise levels of awareness among staff and facilitate better detection rates; and an online 'fraud zone' and discussion forum containing examples of anti-fraud best practice.

Data collections reduced by Government

The amount of data that local authorities are expected to submit to Central Government has been reduced by over a quarter. The list of information that councils are required to provide to Whitehall has been reduced from 193 data collections in 2011/12 to 156 in 2012/13. By cutting unnecessary 'red tape', Local Government Secretary, Eric Pickles, expects councils to have more time to focus on local priorities and residents, commenting: *"we know councils are most effective when they are free to innovate and respond to what local people want without due interference from Whitehall"*.

RSM Tenon's Local Government Update – May 2012

This update provides information on some of the recent key publications and issues concerning local government.

CRC Energy Efficiency Scheme – Guidance for participants in Phase 1 (2010/11–2013/14)

The Environment Agency has issued an updated guide which brings together a number of separate previously issued documents for participants in the CRC Energy Efficiency scheme. Under the scheme, participants are required to submit an annual report supported by an evidence pack by 31 July 2012. The Environment Agency will evaluate evidence packs to assess whether data is correct and based on sufficient records, and also whether it is easy to understand. Participants are required to audit their evidence pack and produce an audit certificate signed by the individual responsible for CRC returns. Under the Climate Change Act 2008, the Agency has the power to fine participants £5,000 plus £500 per working day for each subsequent day of delay beyond the reporting deadline. Fines of £40 for each tonne of carbon dioxide equivalent emissions incorrectly reported, and for each tonne of carbon dioxide equivalent emissions in the most recent compliance year can also be applied. For the first time, participants are also now required to surrender and purchase carbon allowances determined from CRC supplies at £12 per tonne.

LGA to support councils setting up police and crime panels

A group of experts assembled by the Local Government Association (LGA) will be tasked with supporting councils establishing police and crime panels ahead of elected commissioners taking office on 15 November 2012. Councils have until 2 July to submit proposals for a police and crime panel for their force area, to comprise between 10 and 18 councillors responsible for scrutinising the incoming commissioner. The panel will have the right of veto over police and crime commissioners' (PCCs') selection of a chief constable and setting of the council tax precept. The taskforce will work to ensure panel members are clear on their role and responsibilities. The LGA has published its prospectus for the launch of a new Police and Crime Commissioners' Association (PaCCA). The document details the support, information and lobbying expertise that will be dedicated to PCCs. New commissioners will be offered free membership of the LGA up until the end of March 2013.

New funding boost for local areas

The LGA is to offer grants of up to £25,000 to assist councils in making better use of buildings and land to encourage growth and jobs in local areas. The funds are part of an on-going LGA programme intended to assist councils in boosting local economies. Councils will be expected to match the funding they receive and will need to show how they intend to work with charities, other town halls and local firms and demonstrate how they will use the grants to utilise buildings and assets in the local area. The application deadline is 15 June 2012.

Government to tackle 'beds in sheds'

Housing Minister, Grant Shapps and Immigration Minister, Damian Green have announced a new cross-Whitehall task group dedicated to taking action against criminal landlords and tackling 'beds in sheds', where sheds and outbuildings are rented out illegally, often to illegal immigrants. The Government's proposals for the group include: encouraging councils to make greater use of legal powers across planning, fire safety, housing and environmental health; measuring the extent and nature of the problem, drawing on information collected by central government and councils; ensuring councils and the police share available intelligence; closer working with foreign authorities to help those wanting to return home; and steps to prevent more 'beds in sheds' from being created. Shapps commented: *"It is a scandal that these back garden slums exist to exploit people, many of whom are prepared to return voluntarily to their home country but instead find themselves trapped into paying extortionate rents to live in these cramped conditions."*

MPs say localism plans need to be more accountable

The Public Accounts Committee (PAC) has suggested that Government's public sector reforms, which include the introduction of elected police commissioners, lack 'clarity, consistency and completeness' and that the idea of increased localism does not provide 'necessary assurance on either probity or value for money'. The PAC progress report, *Accountability for public money*, acknowledges that departments face 'a significant challenge in developing appropriate accountability arrangements for localised services', however, it reiterates that Accounting Officers remain 'accountable to Parliament for funds voted to their departments'. Following the PAC's first report on accountability, published in April 2011, the Government requested departmental Accounting Officers to produce accountability system statements setting out assurance arrangements. On examining four draft statements, which all departments are expected to produce by summer 2012, the PAC concluded that departments had genuinely attempted to reconcile accountability and localism, however, 'considerably more' needed to be done to improve their 'clarity, consistency and completeness'.