

**RSM! Tenon**



**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

**Internal Audit Progress Report**

**Corporate Governance Committee Meeting: June 2010**

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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 2010/11 was approved by the Corporate Governance Committee on 31 March 2010. This report summarises the outcome of work completed to date against that plan. Appendices A and B provide cumulative data in support of internal audit performance.

## 2. FINAL REPORTS ISSUED

2.1 We have finalised two reports since the last Committee meeting; these are in the areas of:

- H&S - Tenant Electrical Safety Programme (1.10/11); and
- HR Absence Management (2.10/11).

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

## 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 We have issued one further draft report since the last Committee meeting; this is in the area of:

- Housing Maintenance – Planned and Cyclical (2.10/11);

4.2 There is currently no fieldwork in progress.

## 5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

5.1 Since the last Corporate Governance Committee we have met with Management and the Audit Commission we have drafted a detailed protocol setting out the respective roles and working practices for the key financial controls including the areas to be covered and sample sizes during both are main testing and the Top Up Testing at the year end.

## 6. CHANGES TO OUR PLAN

- 6.1 Since the last Corporate Governance Committee due to the current tendering exercise of the Responsive Repairs function, we have revised the Housing Responsive Repairs Review to be a follow up of the previous recommendations only instead of the planned review, this has reduced the resources required to complete this review.
- 6.2 In addition, we have added Top Up Testing to the Internal Audit Plan (in line with the agreed audit protocol identified above) to provide assurance to management and the Audit Commission on compliance of key financial controls between the completion of the audit fieldwork and the year end.

## 7. CLIENT BRIEFINGS

- 7.1 There have been two relevant client briefings issued since the last Corporate Governance Committee, one of these relates to changes to our audit opinions and recommendation categorisations, further details of this can be found at Appendix C of our report.
- 7.2 **The Committee is recommended to endorse the proposed changes to the Internal Audit Opinions and Recommendations.**

**APPENDIX A: 2010/11 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS**

Reports being considered at this Committee are shown in italics.

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>Health and Safety – Tenant Electrical Safety Programme (1.10/11)</i>	<i>14/04/10</i>	<i>16/04/10</i>	<i>07/05/10</i>	<i>16/06/10</i>	<i>16/06/10</i>	<i>June 2010</i>		3	2	7	12	12
<i>HR Absence Management (2.10/11)</i>	<i>18/05/10</i>	<i>27/05/10</i>	<i>04/06/10</i>	<i>10/06/10</i>	<i>14/06/10</i>	<i>June 2010</i>		0	3	2	5	5
<b>Totals to date:</b>								3	5	9	17	17

**APPENDIX B: WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)**

Auditable Area	Start Date	Debrief date	Draft report issued
Housing Maintenance – Planned & Cyclical	24/05/10	28/05/10	16/06/10
Housing Responsive Repairs	01/07/10		
Housing Allocations and Voids	23/08/10		
Risk Management and Assurance Stocktake	24/08/10		
Planning	24/08/10		
Section 106	01/09/10		
Housing Rents	23/09/10		
Asset Management (Housing)	23/09/10		
Grant Validation	04/10/10		
Procurement	08/10/10		
NNDR	08/10/10		
Financial Planning and Budgetary Control	01/11/10		
Council Tax	01/11/10		
Safeguarding	16/11/10		
Performance Management	05/01/11		
Housing Benefits	17/01/11		
Corporate Governance	04/02/11		
Follow Up	08/02/11		

Auditable Area	Start Date	Debrief date	Draft report issued
Environmental Health	17/02/11		
Contact Centre	21/02/11		
Income & Debtors	TBC		
General Ledger	TBC		
Creditors	TBC		
Cash, Banking & Treasury Management	TBC		
Payroll (including Expenses & Pensions)	TBC		
Capital Expenditure and Asset Management	TBC		
ICT Review	TBC		
Annual Governance Statement	TBC		
Audit Management	Ongoing		

## APPENDIX C: CLIENT BRIEFING

### Changes to Internal Audit Recommendations and Opinions

29 April 2010

Client Briefing - Gen 03.10

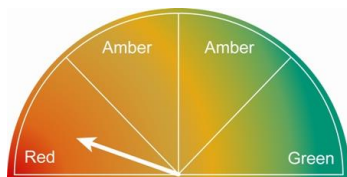
#### INTRODUCTION

As one of the country's largest providers of internal audit and risk management services, we are proud to launch the changes to the way that we will report our internal audit opinions and recommendations. The changes will be introduced for the 2010/11 internal audit plan.

#### CHANGES WE ARE MAKING TO OUR OPINIONS

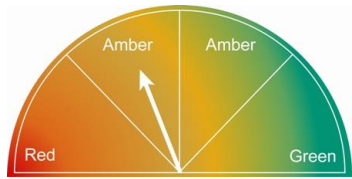
New assurance opinions have been introduced to clarify the meaning of our opinions. The meaning of the term "adequate" has changed over time when applied in an audit or scrutiny context and we recognise that in many sectors "adequate" is now considered to reflect "meeting only minimum standards".

Our opinion will be graphically represented as a speedometer (see below). We have provided guidelines for each segment of the speedometer to provide the Corporate Governance Committee with some context behind each of the ratings.

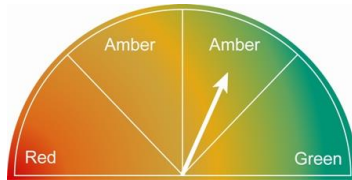


Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.  
Action needs to be taken to ensure this risk is managed.

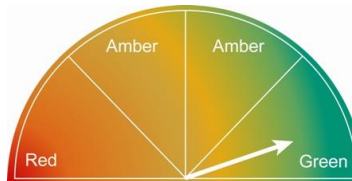




Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.



Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.



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

The Amber assurance level is split into two so that we are able to give you a clear indication of whether we consider the assurance to be “above or below the line”. We hope this will help draw attention to those reports where we are highlighting that although not a negative opinion, the organisation does need to take action to ensure the risk is managed. Similarly the above the line amber opinion reflects that although a positive opinion, there is still room for improvement.

Our assurance will continue to reflect an opinion on the controls in place to manage a risk and advises how much assurance the Board or Authority can take on how that risk is managed. During the year our progress reports to Corporate Governance Committee will reflect the opinions given and build up a picture of our findings so that there will be no surprises in our year end annual opinion.

In giving our opinions, it should be noted that assurance can never be absolute and, therefore the most that the internal audit service can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and internal control.

## CHANGES WE ARE MAKING TO OUR RECOMMENDATIONS

For recommendations, we are moving from fundamental, significant and merits attention to high, medium and low priority recommendations. We are also introducing a “suggestion” category to highlight ideas we have seen elsewhere that you may wish to consider. Unlike the prioritised recommendations, the suggestion category will have no bearing on the overall assurance opinion.

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

## IMPLEMENTING THE CHANGES

We are confident that our clients will find that our changes to internal audit recommendations and opinions beneficial. We are also happy to present to Corporate Governance Committees or management teams to explain the changes and the assurances from your internal auditors, RSM Tenon.