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**RSM! Tenon**

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL**

**Internal Audit Progress Report**

**Corporate Governance Committee Meeting: 12<sup>th</sup> January 2011**

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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 12 reports since the last Committee meeting; these are in the areas of:

- HR - Redundancies (5.10/11);
- Homelessness and Housing Advice (6.10/11);
- Section 106 (7.10/11);
- Asset Management (Housing) (8.10/11);
- General Ledger (9.10/11)
- Payroll (10.10/11),
- Income and Debtors (12.10/11)
- Procurement (13.10/11)
- Housing Rents (14.10/11)
- Council Tax (15.10/11)
- Cash Banking and Treasury Management (16.10/11)
- Payment and Creditors (13.10/11)

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 further draft reports since the last Committee meeting; these are in the areas of:

- NNDR (11.10/11);
- Financial Planning and Budgetary Control (17.10/11);
- Risk Management and Assurance Stocktake (19.10/11).
- Capital Expenditure and Asset Management (20.10/11)
- Safeguarding (21.10/11)

4.2 We are currently at the fieldwork stage of the following review:

- Housing Benefits
- Planning
- ICT Review

### **5. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT**

- 5.1 Since the last Corporate Governance Committee we have met with Management and the Audit Commission and we have developed 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**

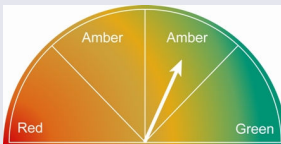
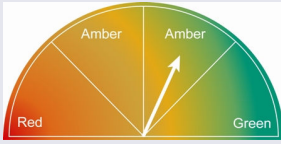
- 6.1 As reported to the last Corporate Governance Committee, due to the current tendering exercise of the Responsive Repairs function, we revised the Housing Responsive Repairs Review to be a follow up of the previous recommendations only instead of the planned review, this has reduced the resources required to complete this review.
- 6.2 As reported previously, we 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 main audit fieldwork and the year end. This has replaced the previously planned review of Grant Validation.
- 6.3 Further work in relation to 'reconciliations' has been added to accommodate the requirements of External Audit.
- 6.4 At the request of management we have undertaken a review of data submitted by MRUK relating to National Indicator 182 (Satisfaction of business with local authority regulation services) for the year 2009/10. A memo summarising the outcomes of this have been reported to management.
- 6.5 In addition, at the request of management we have undertaken a review of the Redundancy process undertaken within the Council.

**7. CLIENT BRIEFINGS**

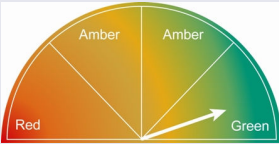
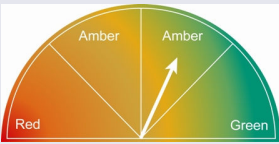
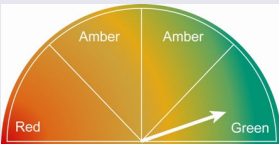
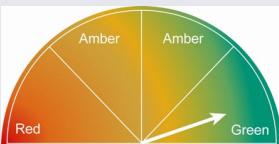
- 7.1 There has been one relevant client briefing issued since the last Corporate Governance Committee, further details of this can be found at Appendix C of our report.

**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
Health and Safety – Tenant Electrical Safety Programme (1.10/11)	14/04/10	16/04/10	07/05/10	16/06/10	16/06/10	June 2010		3	2	7	12	12
HR Absence Management (2.10/11)	18/05/10	27/05/10	04/06/10	10/06/10	14/06/10	June 2010		0	3	2	5	5
Housing Maintenance – Planned and Cyclical (3.10/11)	24/05/10	28/05/10	16/06/10	21/06/10	21/06/10	Sept 2010		0	3	3	6	6
Housing Responsive Repairs Follow Up (4.10/11)	01/07/10	05/07/10	19/07/10	27/07/10	28/07/10	Sept 2010	Follow Up – Little Progress	0	2	5	7	7
<i>HR – Redundancies (5.10/11)</i>	<i>23/08/10</i>	<i>26/08/10</i>	<i>06/09/10</i> <i>20/09/10</i>	<i>17/09/10</i>	<i>29/09/10</i> <i>26/10/10</i>	<i>Jan 2011</i>	<i>Advisory</i>	-	-	-	13	13
<i>Homelessness and Housing Advice (6.10/11)</i>	<i>25/08/10</i>	<i>02/09/10</i>	<i>14/09/10</i>	<i>16/09/10</i>	<i>16/09/10</i>	<i>Jan 2011</i>		0	0	11	11	11

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
Section 106 (7.10/11)	01/09/10	07/09/10	30/09/10	16/11/10	16/11/10	Jan 2011		0	1	1	2	2
Asset Management (Housing) (8.10/11)	23/09/10	28/09/10	12/10/10	15/12/10	16/12/10	Jan 2011		0	2	1	3	3
General Ledger (9.10/11)	27/9/10	1/10/10	13/10/10	21/12/10	21/12/10	Jan 2011		0	0	1	1	1
Payroll (10.10/11)	4/10/10	13/10/10	22/10/10	6/12/10	6/12/10	Jan 2011		0	0	1	1	1
Income and Debtors (12.10/11)	11/10/10	15/10/10	27/10/10	22/12/10	22/12/10	Jan 2011		0	0	1	1	1
Procurement (13.10/11)	8/10/10	15/10/10	27/10/10	12/11/10	12/11/10	Jan 2011		0	0	2	2	2

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee Actual (Planned)	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
<i>Housing Rents (14.10/11)</i>	<i>23/09/10</i>	<i>14/10/10</i>	<i>27/10/10</i>	<i>05/11/10</i>	<i>05/11/10</i>	<i>Jan 2011</i>		0	0	4	4	4
<i>Council Tax (15.10/11)</i>	<i>11/10/10</i>	<i>18/10/10</i>	<i>2/11/10</i>	<i>21/12/10</i>	<i>21/12/10</i>	<i>Jan 2011</i>		0	2	2	4	4
<i>Cash, Banking and Treasury Management (16.10/11)</i>	<i>19/10/10</i>	<i>21/10/10</i>	<i>2/11/10</i>	<i>21/12/10</i>	<i>21/12/10</i>	<i>Jan 2011</i>		0	0	2	2	2
<i>Payment and Creditors (18.10/11)</i>	<i>22/11/10</i>	<i>25/11/10</i>	<i>30/11/10</i>	<i>23/12/10</i>	<i>23/12/10</i>	<i>Jan 2011</i>		0	1	4	5	5
<b>Totals to date:</b>								3	16	47	66 + 13	66 + 13



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

Auditable Area	Start Date	Debrief date	Draft report issued
Risk Management and Assurance Stocktake (19.10/11)	25/08/10	29/11/10	07/12/10
NNDR (11.10/11)	04/10/10	14/10/10	27/10/10
Financial Planning and Budgetary Control (17.10/11)	01/11/10	10/11/10	25/11/10
ICT Review	15/11/10		
Safeguarding	16/11/10	9/12/10	21/12/10
Capital Expenditure and Asset Management	29/11/10	1/12/10	21/12/10
Planning	13/12/10		
Performance Management	17/01/11		
Housing Benefits	5/01/11		
Corporate Governance	04/02/11		
Follow Up	08/02/11		
Environmental Health	17/02/11		
Contact Centre	21/02/11		
Top Up Testing	21/03/11		
Annual Governance Statement	TBC		
Audit Management	Ongoing		

## APPENDIX C: CLIENT BRIEFINGS

### Bribery Act 2010: Update

11 November 2010

Client Briefing - Gen 06.10

#### INTRODUCTION

The Bribery Act reforms the criminal law to provide a new, modern and comprehensive scheme of bribery offences that will enable courts and prosecutors to respond more effectively to bribery at home or abroad.

The Bribery Bill received Royal Assent on 8 April 2010 and it was initially envisaged that the Bribery Act would be enforceable from October 2010. However, on 20 July 2010 it was announced that the Bribery Act will not be enforceable until April 2011 affording the Ministry of Justice time to consult and issue 'adequate procedures'.

The Bribery Act will apply to all organisations based or operating in the UK. The Act covers all forms of bribery, directly or indirectly, whether or not this involves a public official, in the UK or abroad. There are offences for individuals, a corporate offence for organisations and partnerships, and penalties for non-compliance are serious.

This briefing provides an update on the Bribery Act legislation.

#### KEY FACTS OF THE BRIBERY ACT

The Bribery Act 2010:

- Provides a more effective legal framework to combat bribery in the public and private sectors.
- Replaces the disjointed and complex offences of common law and those in the Prevention of Corruption Acts 1889-1916.
- Creates two general offences covering the offering, promising or giving of an advantage, and requesting, agreeing to receive or acceptance of an advantage.
- Introduces a corporate offence of failure to prevent bribery by persons working on behalf of a business. A business can avoid conviction if it can show that it has adequate procedures in place to prevent bribery.

- Makes it a criminal offence to give, promise or offer a bribe and to receive or accept a bribe either at home or abroad. The measures cover bribery of a foreign public official.
- Increases the maximum penalty for bribery from seven to 10 years imprisonment, with an unlimited fine.
- Requires the Secretary of State to publish guidance about procedures that relevant commercial organisations can put in place to prevent bribery on their behalf.
- Helps tackle the threat that bribery poses to economic progress and development around the world.

## WHAT HAPPENS NEXT?

The Ministry of Justice released the 'Consultation on guidance about commercial organisations preventing Bribery' on 14 September 2010. The Ministry of Justice has stated it will release guidance in relation to adequate procedures to prevent bribery in early 2011 which, it believes, will allow businesses an adequate familiarisation period before the Act is enforceable. At the moment we have been given the indication that the Act will be enforceable from 6 April 2011 and that the legislation can not be applied retrospectively.

Section 7 of the Bribery Act 2010 creates a criminal offence of a failure to prevent bribery on the part of commercial organisations and reflects a general recognition that there is an important role to be played by business itself in ensuring that commerce is undertaken in an open and transparent manner. The new law will introduce a clear and robust approach and is intended to encourage commercial organisations to take steps to address the risks of bribery. Section 7 provides a statutory defence to a charge where a commercial organisation can demonstrate that it has put adequate bribery prevention procedures in place.

## ADEQUATE BRIBERY PREVENTION PROCEDURES

As stated, it can be a defence to the corporate offence of the Bribery Act if the organisation can show that it has adequate bribery prevention procedures in place. This draft guidance, which is based on six broad management principles, is provided by the Government to help relevant commercial organisations decide what bribery prevention procedures they can put in place:

1. Risk Assessment - The commercial organisation regularly and comprehensively assesses the nature and extent of the risks relating to bribery to which it is exposed. The level and detail of the risk assessment or due diligence to undertake will be determined by the capacity of the organisation to undertake such reviews in detail and the level of risk i.e. the financial value involved and the proportionate cost of the organisation undertaking such checks.
2. Top Level Commitment - The top level management of a commercial organisation (be it a board of directors, the owners or any other equivalent body or person) are committed to preventing bribery. They establish a culture within the organisation in which bribery is never acceptable. They take steps to ensure that the organisation's policy to operate without bribery is clearly communicated to all levels of management, the workforce and any relevant external actors.
3. Due Diligence - The commercial organisation has due diligence policies and procedures which cover all parties to a business relationship, including the organisation's supply chain, agents and intermediaries, all forms of joint venture and similar relationships and all markets in which the commercial organisation does business.

4. Clear, Practical and Accessible Policies and Procedures - The commercial organisation's policies and procedures to prevent bribery being committed on its behalf are clear, practical, accessible and enforceable. Policies and procedures take account of the roles of the whole work force from the owners or board of directors to all employees, and all people and entities over which the commercial organisation has control.
5. Effective Implementation - The commercial organisation effectively implements its anti-bribery policies and procedures and ensures they are embedded throughout the organisation. This process ensures that the development of policies and procedures reflects the practical business issues that an organisation's management and workforce face when seeking to conduct business without bribery.
6. Monitoring and Review - The commercial organisation institutes monitoring and review mechanisms to ensure compliance with relevant policies and procedures and identifies any issues as they arise. The organisation implements improvements where appropriate.

#### HOW CAN RSM TENON HELP?

RSM Tenon can offer further assistance in relation to developing the adequate procedures required under the Act, please contact members of our Fraud Solutions for advice or to discuss further:

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