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RSM Tenon

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

Internal Audit Progress Report

Corporate Governance Committee Meeting: July 2011

RSM Tenon

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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. 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 for the 2010/11 plan, Appendix C and D have the same data for the 2011/12 plan to date.

2. FINAL REPORTS ISSUED

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

2010/11

- Environmental Health – Health and Safety (27.10/11);
- Follow Up – Health and Safety and Electrical Safety Programme (28.10/11);
- Financial Top Up Testing (31.10/11);

2011/12

- HR – Absence Management including the Impact of Redundancies (1.11/12).

- 2.2 Appendix A & C summarises our opinions and the number of recommendations made during 2010/11 and 2011/12 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 assurance opinion that we provide in our Annual Report. The 2010/11 Annual Report is being presented at this meeting and provides an unqualified opinion
- 3.2 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. We have not identified any issues from our 2011/12 work to date that will impact negatively on this year opinion.
- 3.3 No common weaknesses have been identified within our reports for either 2010/11 or 2011/12.

4. WORK IN PROGRESS OR PLANNED

- 4.1 We have also issued the following draft reports; these are in the areas of:

2010/11

- Capital Expenditure and Asset Management (20.10/11);
- Follow Up (30.10/11); and

2011/12

- Supported Housing (2.11/12).

4.2 We are currently at the fieldwork stage of the following review in the 2011/12 plan:

- Housing Maintenance – Planned and Cyclical

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

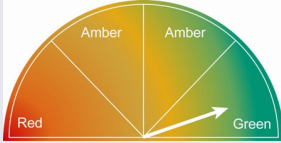
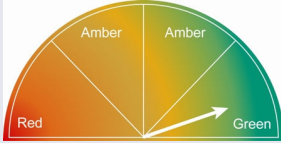
Since the last Committee, at the request of management, we have removed the Safeguarding audit from the 2011/12 plan due to the previous levels of assurance received. We will follow up the outstanding recommendations as part of our annual follow up review.

7. CLIENT BRIEFINGS

7.1 There have been two relevant client briefings issued since the last Corporate Governance Committee, further details of these can be found at Appendix E 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.

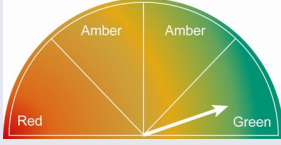
Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Corporate Governance Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
<i>Environmental Health – Health and Safety (27.10/11)</i>	<i>17/02/11</i>	<i>25/2/11</i>	<i>28/02/11</i>	<i>25/3/11</i>	<i>28/3/11</i>	<i>June 2011</i>		<i>0</i>	<i>0</i>	<i>3</i>	<i>3</i>	<i>3</i>
<i>Follow Up Health and Safety and Electrical Safety Programme (28.10/11)</i>	<i>7/02/11</i>	<i>09/02/11</i>	<i>07/03/11</i>	<i>29/3/11</i> <i>16/5/11</i>	<i>16/5/11</i>	<i>June 2011</i>	<i>ADEQUATE PROGRESS</i>	<i>0</i>	<i>2</i>	<i>1</i>	<i>3</i>	<i>3</i>
<i>Top Up Testing (31.10/11)</i>	<i>7/03/11</i>	<i>21/3/11</i>	<i>4/4/11</i>	<i>13/5/11</i>	<i>13/5/11</i>	<i>June 2011</i>		<i>0</i>	<i>0</i>	<i>1</i>	<i>1</i>	<i>1</i>

APPENDIX B: 2010/11 WORK IN PROGRESS OR YET TO START (INCLUDING REPORTS STILL IN DRAFT)

Auditable Area	Start Date	Debrief date	Draft report issued
Capital Expenditure and Asset Management (20.10/11)	29/11/10	02/12/10	10/02/11 20/05/11
Follow Up (30.10/11)	08/02/11	14/2/11	07/03/11

APPENDIX C: 2011/12 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASURANCE 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				
						Actual (Planned)		High	Medium	Low	In Total	Agreed
<i>HR – Absence Management including the Impact of Redundancies (1.11/12)</i>	<i>18/04/11</i>	<i>21/04/11</i>	<i>16/05/11</i>	<i>27/05/11</i>	<i>27/05/11</i>	<i>June 2011</i>		<i>0</i>	<i>0</i>	<i>5</i>	<i>5</i>	<i>5</i>
Totals to date:								0	0	5	5	5

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

Auditable Area	Start Date	Debrief date	Draft report issued
Supporting Housing (2.11/12)	18/04/2011	28/04/2011	19/05/2011
Housing Maintenance – Planned & Cyclical	10/06/2011	17/06/2011	
Project Management	15/08/2011		
Housing Rents	08/08/2011		
Partnerships	08/08/2011		
Payroll (including Expenses & Pensions)	05/09/2011		
Housing Allocations and Voids	13/09/2011		
Creditors	06/10/2011		
Contract Services	10/10/2011		
Corporate Governance	11/10/2011		
Income & Debtors	12/10/2011		
General Ledger (including Budgetary Control)	18/10/2011		
Cash, Banking & Treasury Management	20/10/2011		
Capital Expenditure and Asset Management	24/10/2011		
NNDR	24/10/2011		
Council Tax	12/12/2011		
Risk Management and Assurance Stocktake	15/12/2011		

Auditable Area	Start Date	Debrief date	Draft report issued
Performance Management	16/01/2012		
Environmental Health	16/01/2012		
Housing Benefits	23/01/2012		
Top Up Testing	19/03/2012		
Taxation	Q2		
ICT Review	Q2		
Proactive Fraud Work	Q2		
Annual Governance Statement	Q4		
Follow Up	Q4		

APPENDIX E: CLIENT BRIEFINGS

Bribery Act 2010 Update

4 April 2011

Client Briefing - Gen 03.11

The Bribery Act will now be fully implemented on 1 July 2011.

The Bribery Act reforms 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 in the UK or abroad. As part of the implementation of the Act, the Minister for Justice also revealed the statutory guidance on the adequate procedures required for businesses to avail themselves of a statutory defence to the corporate offence included in the Act.

In announcing the release of the guidance and the launch of the Act the Minister for Justice, Ken Clarke, said: *"I have listened carefully to business representatives to ensure the Bribery Act is implemented fully and in a workable, commonsense way – this is particularly important for small firms that have limited resources.*

"I hope this guidance shows that combating the risks of bribery is largely about common sense, not burdensome procedures Without changing the substance of the Act, this guidance should save organisations of all sizes from the fears sometimes aroused by the compliance industry that millions of pounds must be spent on new systems that, in my opinion, no honest business will require in response to the commencement of this Act.

"Some have asked whether business can afford this legislation – especially at a time of economic recovery. But the choice is a false one. We don't have to decide between tackling corruption and supporting growth. Addressing bribery is good for business because it creates the conditions for free markets to flourish"

The Act covers a wide range of both direct and indirect bribery offences, whether or not involving a public official, in the UK or abroad. This includes: offences committed by individuals; and corporate offences applicable to corporates and partnerships. Penalties for non-compliance with the Act are serious.

In the context of the legislation, a 'corporate'¹ is defined as any organisation that has some element of business activity, irrespective to what happens to any profit. Even if not deemed as a corporate, it is important from an ethical and governance stance that organisations ensure relevant policies and processes dovetail with the requirements of the Bribery Act and that they are aware of the obligations also placed upon suppliers and contractors they do business with.

¹ Ministry of Justice Guidance, April 2011 (paragraph 35).

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*, which will be rescinded;
- 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 an organisation. Organisations may avoid conviction if they can show that they have 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. Measures also cover bribery of a foreign public official;
- Increases the maximum penalty for bribery from seven to ten 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 prosecution for the corporate offence; and
- Helps tackle the threat that bribery poses to economic progress and development around the world.

ADEQUATE BRIBERY PREVENTION PROCEDURES

As stated, it is a complete defence if the organisation can show that it has adequate bribery prevention procedures in place. These are as follows:

- **Principle 1 – Proportionate procedures:** A commercial organisation's procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces and to the nature, scale and complexity of the commercial organisation's activities. They are also clear, practical, accessible, effectively implemented and enforced.
- **Principle 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 by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.
- **Principle 3 – Risk Assessment:** The commercial organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery on its behalf by persons associated with it. The assessment is periodic, informed and documented.

- **Principle 4 – Due diligence:** The commercial organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.
- **Principle 5 – Communication (including training):** The commercial organisation seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.
- **Principle 6 – Monitoring and review:** The commercial organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

HOW CAN RSM TENON HELP?

RSM Tenon can offer further assistance in relation to the implementation of adequate procedures in scope of the Bribery Act. Please direct enquiries to:

John Baker, Director, Fraud Solutions on john.baker@rsmtenon.com or 07753 584 973.

Corporate Websites – Use of Cookies

06 April 2011

Client Briefing - Gen 04.11

Technology Update – Change in the law on the use of Cookies by company websites

Public and private sector businesses should be preparing for the EU's new Privacy and Electronic Communications Directive law which comes into force on 25 May 2011. This new law will require businesses and organisations to obtain consent from visitors to their websites in the UK for the use of tracking technologies in order to store and retrieve usage information from users' computers. One of the most common forms of this technology is referred to as the use of 'cookies'; small files that websites may place on visitors' computers so that the computer can remember data that can be easily retrieved at a later date, for example: site browsing preferences; and payment details when users buy products online.

It is widely recognised that the Internet is dependent on the use of cookies and there are legitimate business reasons for using them. The Information Commissioner is currently working with the Government on guidance for organisations to ensure the changes required by the new law will not have a detrimental impact on consumers nor cause an unnecessary burden on UK public and private sector businesses running websites.

One option under consideration by the Information Commissioner is to allow consent to the use of cookies to be given via browser settings. However, in the meantime, both the business community and public sector organisations should be thinking clearly about how they will meet the requirements of the new Directive.

A starting point for the compliance process in advance of the introduction of the changes is to carry out an audit of the cookies currently in use on your website(s) to identify and remove any old or redundant cookies that are no longer required. This will ensure that the eventual obtaining of consent 'opt-ins' are more effective and efficient.

For further information and assistance in preparedness for this change in the law, contact:

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