



South Derbyshire District Council – Internal Audit Progress Report

Audit Sub-Committee: 20th February 2013



Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

Contacts

Richard Boneham
Head of the Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2YL
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2YL
Tel. 01332 643281
adrian.manifold@centralmidlands
audit.gov.uk

Contents

Page

1	Summary	3
2	Audit Coverage	4
3	Audit Performance	7
4	Recommendation Tracking	9

South Derbyshire District Council – Internal Audit Progress Report

1 Summary

Role of Internal Audit

The Internal Audit Service for South Derbyshire District Council is now provided by the Central Midlands Audit Partnership (CMAP). The Partnership operates in accordance with standards of best practice applicable to Internal Audit (in particular, the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006). CMAP also adheres to the Internal Audit Terms of Reference.

The role of internal audit is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

Recommendation Ranking

To help management schedule their efforts to implement our recommendations or their alternative solutions, we have risk assessed each control weakness identified in our audits. For each recommendation a judgment was made on the likelihood of the risk occurring and the potential impact if the risk was to occur. From that risk assessment each recommendation has been given one of the following ratings:

- Critical risk.
- Significant risk.
- Moderate risk
- Low risk.

These ratings provide managers with an indication of the importance of recommendations as perceived by Audit; they do not form part of the risk management process; nor do they reflect the timeframe within which these recommendations can be addressed. These matters are still for management to determine.

Control Assurance Definitions

Summaries of all audit reports are to be reported to Audit Sub Committee together with the management responses as part of Internal Audit's reports to Committee on progress made against the Audit Plan. All audit reviews will contain an overall opinion based on the adequacy of the level of internal control in existence at the time of the audit. This will be graded as either:

- **None** - We are not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks were not being well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Limited** - We are able to offer limited assurance in relation to the areas reviewed and the controls found to be in place. Some key risks were not well managed and systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- **Comprehensive** - We are able to offer comprehensive assurance as the areas reviewed were found to be adequately controlled. Internal controls were in place and operating effectively and risks against the achievement of objectives were well managed.

This report rating will be determined by the number of control weaknesses identified in relation to those examined, weighted by the significance of the risks. Any audits that receive a None or Limited assurance assessment will be highlighted to the Audit Sub-Committee in Audit's progress reports.

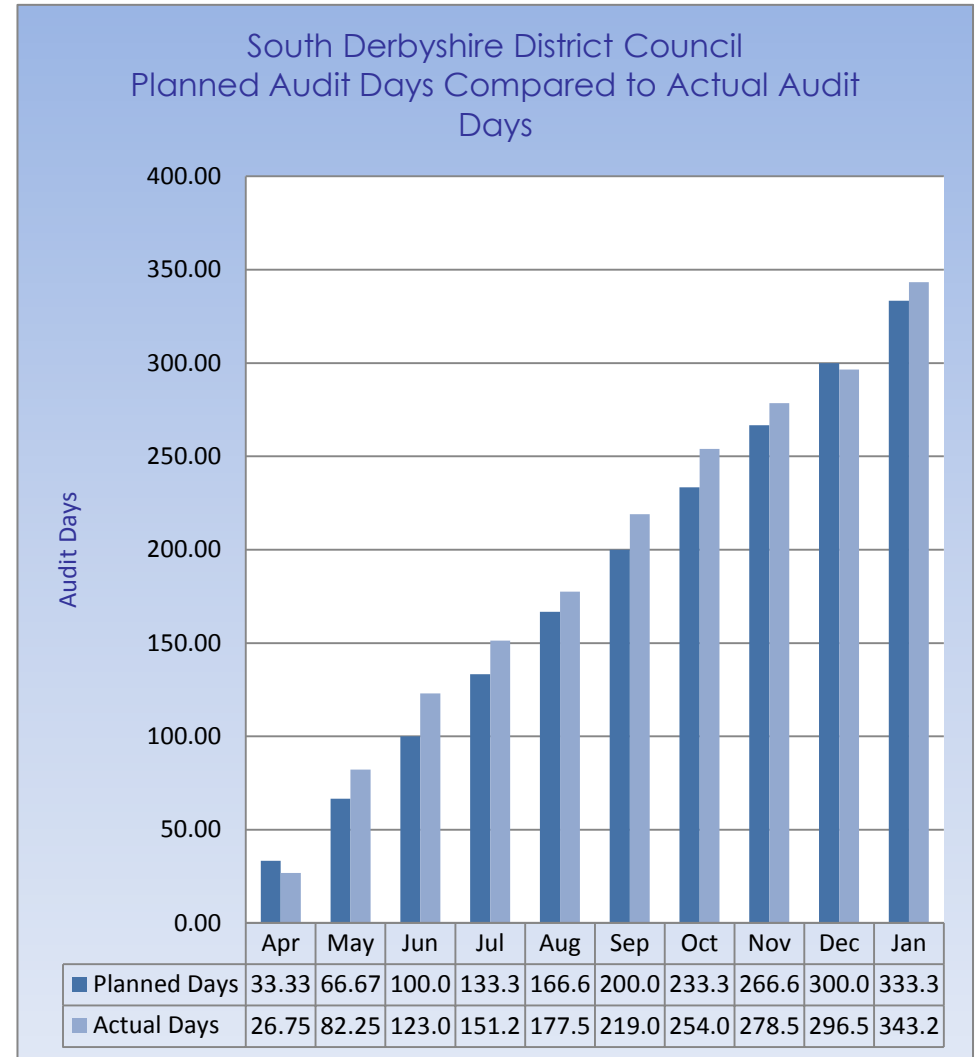
South Derbyshire District Council – Internal Audit Progress Report

2 Audit Coverage

Amendments to 2012-13 Audit Plan Assignments

During the period the following amendments were made to South Derbyshire's Audit Plan:

- **Email & Internet Services Health-check** – Preparatory work has already been undertaken in respect of this job, but we have been requested to delay the main body of work until April 2013, as the IT service is undertaking currently doing a lot of work to upgrade the infrastructure for March 2013.
- **Housing Allocation** – The Head of Finance and Property Services requested that Central Midlands Audit Partnership provide an independent review of the circumstances which led to the allocation of a Council property to tenants who had personal links with officers working at the Council. A further review of the systems of control that govern the process for housing allocations has been requested to be considered for inclusion in the 2013-14 Audit Plan.
- **Council Tax / NNDR / Cashiering and Housing & Council Tax Benefit** – It was agreed with the Head of Finance and Property Services that, if required, these two jobs could be delayed to accommodate the prompt delivery of the Housing Allocation assignment.



South Derbyshire District Council – Internal Audit Progress Report

2 Audit Coverage (Cont.)

Progress on 2012-13 Audit Plan Assignments

Between 1st December 2012 and 31st January 2013, Internal Audit has spent a total of 64.75 days on 2012-13 audit reviews and other audit work. The time spent can be broken down as follows:

2012-13 Audit Assignments	Current Status	Days Spent
Waste Management	Final Report	2.75
Main Accounting.	Awaiting Review	13.50
Treasury Management / Insurance	In Progress	2.25
Council Tax / NNDR / Cashiering	Allocated	0.50
Housing & Council Tax Benefit	Allocated	0.25
Payroll / Officers Expenses & Allowances	In Progress	0.75
Creditors / Debtors	In Progress	12.25
Fixed Assets	Reviewed	8.25
Service Contracts	In Progress	-
Data Quality & Perform. Management	In Progress	1.50
Post Implementation Review - Agresso	In Progress	1.00
Email & Internet Services Health-check	In Progress	-
Neighbourhood Warden	Draft Report	7.75
Housing Allocation	In Progress	1.75
TUPE Travel Allowance	Ongoing	5.00
Audit Sub Committee / Follow-ups	Ongoing	4.50
Advice / Emerging Issues etc.	Ongoing	2.50
External Audit / Audit Planning	Ongoing	0.25
	Total Days	64.75

The following 2012-13 audit assignment has been finalised since the last Progress Report was presented to this Committee:

- Waste Management.

Waste Management Audit

Overall Control Assurance Rating: **Reasonable**

This audit focused on ensuring that Trade Waste customer accounts were raised in a timely manner, charged the correct fee and that recovery of sums overdue was effective. The audit also reviewed the controls in place regarding stocks of refuse bins and ensuring that appropriate systems were in place for an effective and efficient waste collection service. Attention also focussed on recycling services, performance monitoring and security at the Council's depot.

From the 26 key controls evaluated in this audit review, 22 were considered to provide adequate control and 4 contained weaknesses. The report contained 6 recommendations, 5 of which were considered a low risk and 1 was considered a moderate risk. The following issues were considered to be the key control weaknesses:

- There were no documented guidelines available for employees to refer to when negotiating a special price for trade waste. This meant that decisions were based on the employee's personal judgement and discretion. **(Low Risk)**
- The Council was using historic maximum and minimum pricing parameters which had not been formally approved and may have no longer accurately reflected the latest prices in the trade waste collection market. **(Moderate Risk)**
- There was no documentation maintained on file in the form of competitor quotes which supported the negotiated, best price offered by the Council. **(Low Risk)**

2 Audit Coverage (Cont.)

- The results of bin stock checks were not being signed off to evidence that the results had been reviewed and compared with the bin stock records. (Low Risk)
- There were no officers at the Council depot who were responsible for monitoring CCTV and ensuring that it was operating effectively. (Low Risk)
- There were no documented depot security arrangements in place for depot employees to refer and adhere to. (Low Risk)

All 6 of the control issues raised within this report were accepted and positive action in respect of 2 recommendations was agreed to be taken by 28th February 2013 and the remaining 4 recommendations were agreed to be addressed by 1st April 2013.

South Derbyshire District Council – Internal Audit Progress Report

3 Audit Performance

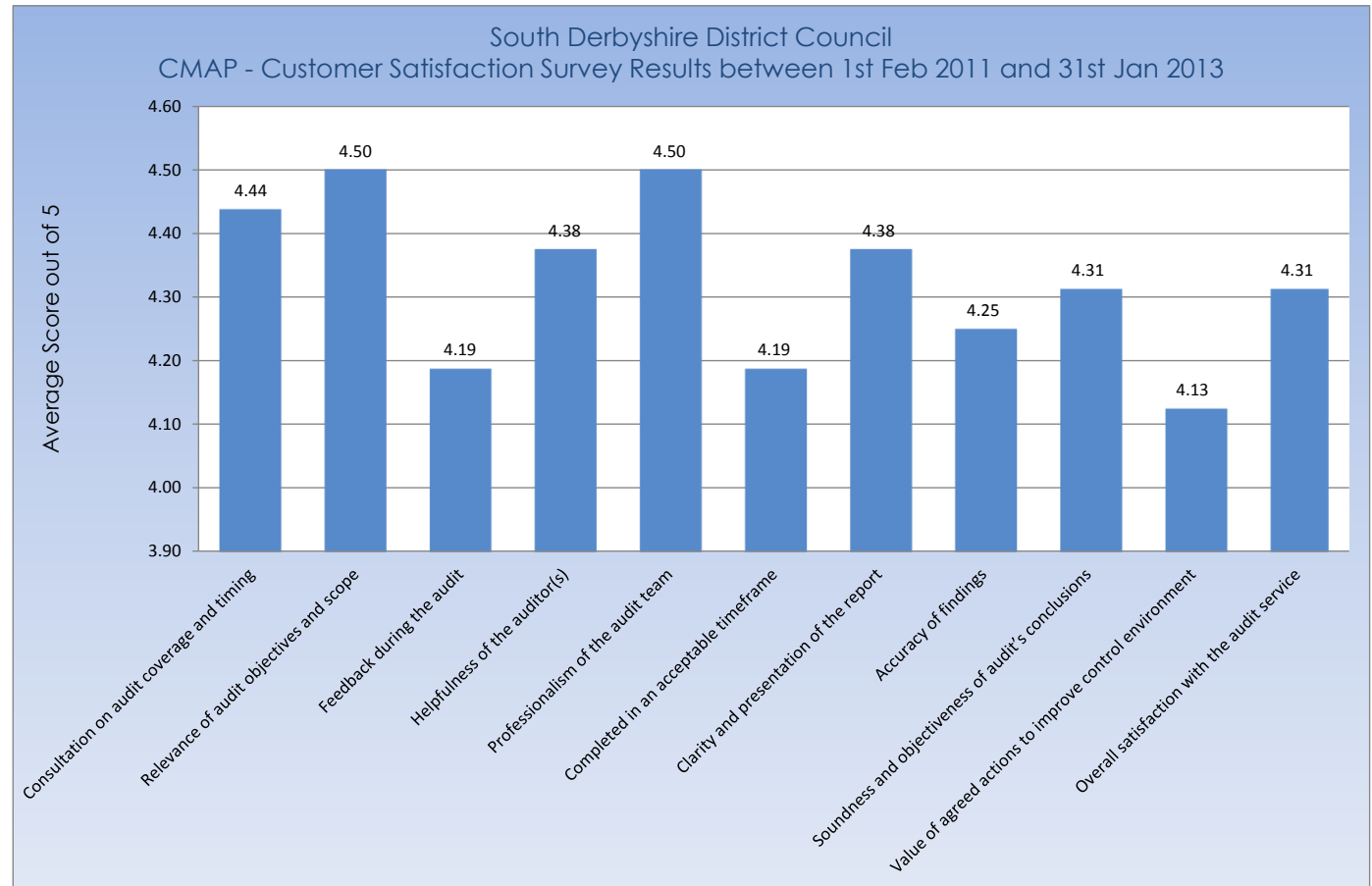
Customer Satisfaction

The Audit Section sends out a customer satisfaction survey with the final audit report to obtain feedback on the performance of the auditor and on how the audit was received. The survey consists of 11 questions which require grading from 1 to 5, where 1 is very poor and 5 is excellent. Appendix A summarises the average score for each category from the 17 responses received. The average score from the surveys was 47.6 out of 55. The lowest score received from a survey was 42, while the highest was 55.

The overall responses are graded as either:

- Excellent (scores 46 to 55)
- Good (scores 38 to 46)
- Fair (scores 29 to 37)
- Poor (scores 20 to 28)
- Very poor (scores 11 to 19)

Overall 11 of 17 responses categorised the audit service they received as excellent, another 6 responses categorised the audit as good. There were no overall responses that fell into the fair, poor or very poor categories.



South Derbyshire District Council – Internal Audit Progress Report

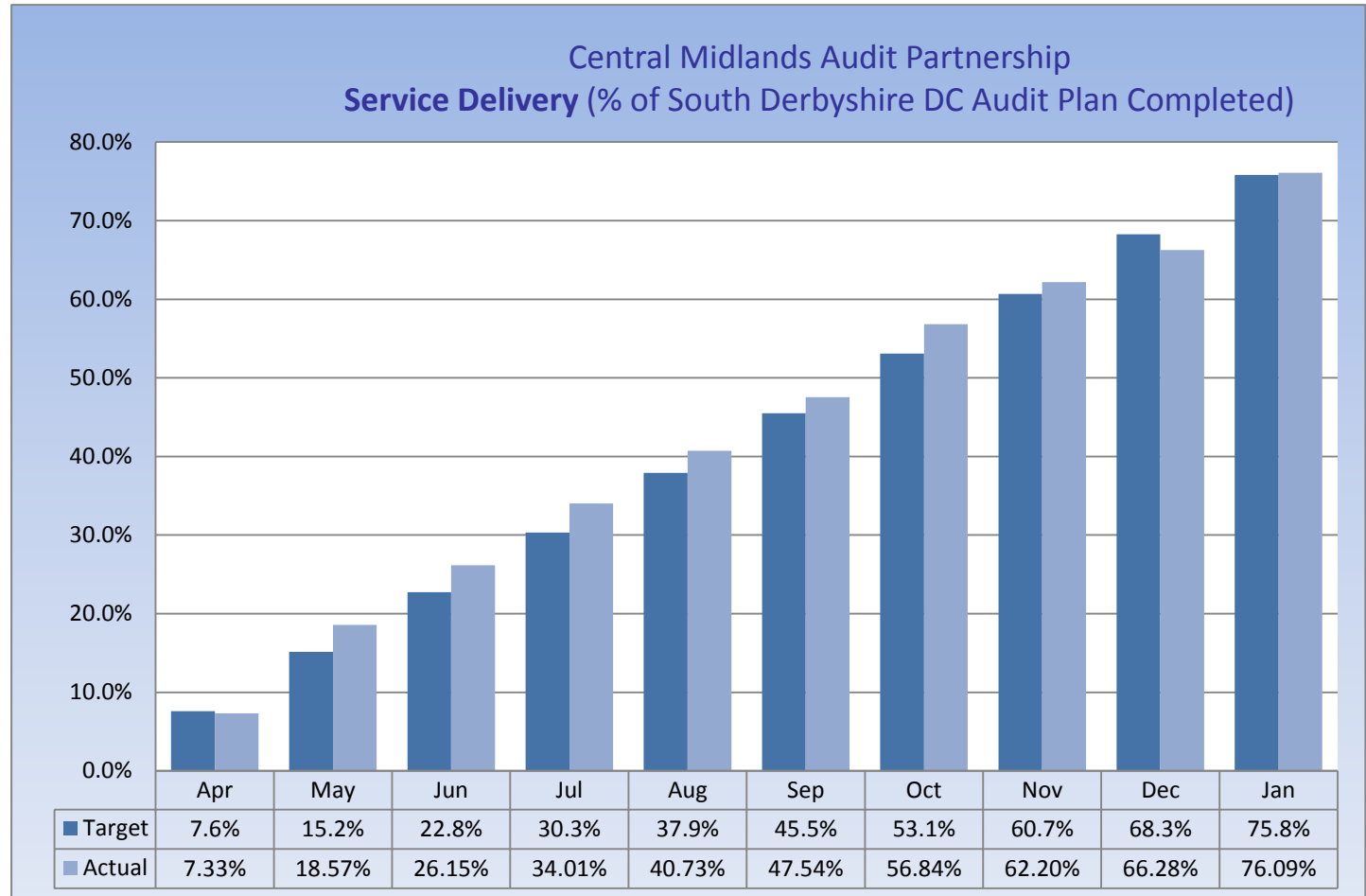
3 Audit Performance (Cont.)

Service Delivery (% of Audit Plan Completed)

At the end of each month, Audit staff provide the Audit Manager with an estimated percentage complete figure for each audit assignment they have been allocated. These figures are used to calculate how much of each Partner organisation's Audit Plans have been completed to date and how much of the Partnership's overall Audit Plan has been completed.

Shown across is the estimated percentage complete for South Derbyshire's 2012-13 Audit Plan (including incomplete jobs brought forward) after 8 months of the Audit Plan year.

The monthly target percentages are derived from equal monthly divisions of an annual target of 91% and do not take into account any variances in the productive days available each month.



South Derbyshire District Council – Internal Audit Progress Report

4 Recommendation Tracking

Follow-up Process

Internal Audit sends emails, automatically generated by our recommendations database, to officers responsible for action where their recommendations' action dates have been exceeded. We request an update on each recommendation's implementation status, which is fed back into the database, along with any revised implementation dates.

Prior to the Audit Sub-Committee meeting we will provide the relevant Senior Managers with details of each of the recommendations made to their divisions which have yet to be implemented. This is intended to give them an opportunity to provide Audit with an update position.

Each recommendation made by Internal Audit will be assigned one of the following "Action Status" categories as a result of our attempts to follow-up management's progress in the implementation of agreed actions. The following explanations are provided in respect of each "Action Status" category:

- **Blank** = Audit have been unable to ascertain any progress information from the responsible officer.
- **Implemented** = Audit has received assurances that the agreed actions have been implemented.
- **Superseded** = Audit has received information about changes to the system or processes that means that the original weaknesses no longer exist.
- **Accept Risk** = Management has decided to accept the risk that Audit has identified and take no mitigating action.
- **Being Implemented** = Management is still committed to undertaking the agreed actions, but they have yet to be completed. (This category should result in a revised action date).

Implementation Status Details

The table below is intended to provide members with an overview of the current implementation status of all agreed actions to address the control weaknesses highlighted by audit recommendations that have passed their agreed implementation dates. We have not included the recommendations made in audit reports issued since 1 October 2012. This is to allow time for those recommendations to have reached their agreed implementation dates.

	Implemented	Superseded	Being implemented	Risk Accepted	Due, but unable to obtain progress information	Hasn't reached agreed implementation dates	Total
Low Risk	77	0	8	2	0	5	92
Moderate Risk	23	0	0	0	0	0	23
Significant Risk	7	0	0	1	0	0	8
Critical Risk	0	0	0	0	0	0	0
	107	0	8	3	0	5	123

The table below shows those recommendations not yet implemented by Dept.

Recommendations Not Yet Implemented	Corporate Services	Community & Planning Services	Housing & Environmental Services	TOTALS
Not Implemented	0	0	0	0
Being implemented	6	0	2	8
Due, but unable to obtain progress information	0	0	0	0
	6	0	2	8

Internal Audit has provided Committee with summary details of those recommendations still in the process of 'Being Implemented' with full details of each recommendation where management has decided not to take any mitigating actions (shown in the 'Risk Accepted' category above).

South Derbyshire District Council – Internal Audit Progress Report

4 Recommendation Tracking (Cont.)

Recommendations Being Implemented

Corporate Services

Car Allowances	
<p>Control Issue - A neighbouring Authority has revised its car user allowance scheme and introduced a new scheme which has removed the essential user lump sum and pays one mileage rate to both types of user. This will enable the Authority to make significant savings in future years.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - This is still under consideration. This is a longer-term issue and will not be reviewed for the foreseeable future.</p>	
Original Action Date	30 Jun 11
Revised Action Date	31 Mar 13

Legal & Democratic Services	
<p>Control Issue - Five items of election expenditure exceeded £2,500, yet quotes had not been sought or obtained in accordance with the Council's Financial Procedure Rules. One of which also exceeded the £10,000 limit which requires a formal supply agreement.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - An independent review of the Elections process has recently been commissioned by the Chief Executive which will look at these processes.</p>	
Original Action Date	30 Nov 12
Revised Action Date	30 Apr 13

Legal & Democratic Services	
<p>Control Issue - Purchase orders were not being raised for goods and services required in respect of running the election.</p> <p>Risk Rating – Low Risk</p> <p>Status Update – An independent review of the Elections process has recently been commissioned by the Chief Executive which will look at these processes.</p>	
Original Action Date	30 Nov 12
Revised Action Date	30 Apr 13

Licensing	
<p>Control Issue - The Licensing Section did not have a comprehensive performance management framework which recognized the section's achievements and clearly demonstrated how the section was contributing to the Council's overall vision and priorities.</p> <p>Risk Rating – Low Risk</p> <p>Status Update – Following a restructure of the Service and appointment of the Senior Licensing Officer at the end of August 2012 this issue has to be re-addressed. A lot of procedures and work flow are being reviewed and as part of this some performance indicators and monitoring will evolve. Realistically, this will not be completed until April 2013.</p>	
Original Action Date	30 Sep 11
Revised Action Date	1 Apr 13

South Derbyshire District Council – Internal Audit Progress Report

4 Recommendation Tracking (Cont.)

Implementation Status Details

Corporate Services (Cont.)

Risk Management			
<p>Control Issue - Identified risks were not linked to the strategic objectives of the Council.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - The intention is to tie this into the updated corporate and service plans at that time where the key risks will be reviewed.</p> <p>Original Action Date 6 Dec 12 Revised Action Date 28 Feb 13</p>			
<p>Control Issue - Management of individual key corporate risks had not been assigned to appropriate managers.</p> <p>Risk Rating – Low Risk</p> <p>Status Update - The intention is to tie this into the updated corporate and service plans at that time where the key risks will be reviewed.</p> <p>Original Action Date 6 Dec 12 Revised Action Date 28 Feb 13</p>			

Housing Benefits 2011-12			
<p>Control Issue - Not all of the Housing and Council Tax Benefit information on the Council's website was up-to-date.</p> <p>Risk Rating – Low Risk</p> <p>Status Update – This activity needs to be undertaken after the Council finalises the CTS scheme at the end of January. I would therefore propose that we spend February/March making the web changes alongside the operational ones we need to make, such as redesigning claim form i.e. as we develop new processes we update the web.</p> <p>Original Action Date 1 Dec 12 Revised Action Date 31 Mar 12</p>			

4 Recommendation Tracking (Cont.)

Implementation Status Details

Housing & Environmental Services (cont.)

Housing Repairs			
<p>Control Issue - The Mutual Repairs Policy had not been established, although it was referred to in the Repairs Policy.</p>			
<p>Risk Rating – Low Risk</p>			
<p>Status Update - The Mutual repairs policy is in draft at present, the team are currently reviewing the repairs policy with the South Derbyshire Tenants' Forum and hope to get the two documents fully consulted upon and issued by June 2012. The officer progressing this has been moved onto the 5 year asset management plan and has asked for the date to be extended.</p>			
Original Action Date	30 Jun 11	Revised Action Date	28 Feb 13

South Derbyshire District Council – Internal Audit Progress Report

4 Recommendation Tracking (Cont.)

Risk Accepted Recommendations

Planning Services Audit

Audit Finding

We expected that controls would be in place to ensure that all expected income for building control applications would be collected in full.

We found that there were three types of building control applications and that these were dealt with differently in respect of collecting fees due:

- Building Notice application was more commonly used and generally suitable for small and less complicated works where 'approval' of drawing/plans was not required and where the person doing the work was confident in complying with the building regulations without the need for approved details. The total fee applicable was required when the application was made.
- Regularisation applications made for retrospective work, also required payment when the application was made.
- The third type of application was 'full plans', where the charge to inspect the plans was made up front, but the charges for site inspection were made after the first visit. Legislation (The Building (Local Authority Charges) Regulations 2010) has determined that the charge can only be made after the first visit and invoices were being raised at that point through the Council's debtors system.

During testing we confirmed that payments had been made at the time of application for both building notice and regularisation application types of building regulation controls.

We found from a review of a sample of site inspection applications, two building control accounts where invoices had been raised, but not paid, and had been passed to the debt recovery section. The Building Control

section had not been made aware that the invoices remained unpaid.

There is a risk that the Building Control section would continue to make site inspections and issue completion certificates whilst invoices remain unpaid, resulting in financial loss to the Council.

Recommendation 1

Risk Rating: Low Risk

Summary of Weakness: The Building Control Section had not been notified of unpaid invoices, to enable them to withhold services from long standing debtors, to minimize Council debts..

Suggested Actions: We recommend that the Building Control Section liaises with the Debtors Section to obtain details of aged unpaid debtor invoices and seek to withhold further Services from these debtors until their outstanding debts have been settled..

Summary Response

Responsible Officer: Tony Sylvester

Issue Accepted

Agreed Actions: A standard report saved on Agresso has been requested from Finance, which will list any aged debtors relating to Building Control income. This will allow the Building Control Department to be aware of which customers have outstanding debts. The legality of withholding services has to be investigated, as the Council has a duty of care.

Implementation Date: 1st September 2012

4 Recommendation Tracking (Cont.)

Risk Accepted Recommendations (Cont.)

Update Comments:

We are of the opinion that, although it may be logical to withhold services for non-payment, it would be contrary to Section 17 of The Building Regulations 2010 SI 2010 No.2214. This refers to issuing a completion certificate when the work has been completed to meet the regulations