

South Bucks District Council

Internal Audit Progress Report

Audit Committee Meeting – 24th September 2009

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1. Introduction

- 1.1 The periodic internal audit plan for 2009/10 was approved by the Audit Committee on 1st April 2009. This report summarises the outcome of work completed to date against that plan. Appendix A provides details of the 2009/10 plan progress in support of internal audit performance.

2. Final Reports Issued

- 2.1 We have finalised one report since the last Committee meeting; this was in the areas of:

- Contract services – Refuse and Recycling (ref. 01.09/10)

The executive summary and agreed action plan is included at Appendix B.

3. Key Findings from Internal Audit Work

- 3.1 We have made no findings in the reports issued so far this year which will effect our annual opinion

4 Draft Reports and Work in Progress

- 4.1 The following draft report has been issued to management and we are still awaiting a response from management:

- Arrangements for Elections (ref 02.09/10)
- Leisure services funding (ref 03.09/10)
- Licensing (ref 04.09/10)

- 4.2 Reviews of Building Control, NNDR, Council Tax, Housing Benefit and Risk Management are in progress and will be reported to a subsequent Audit Committee.

Appendix A: Operational Plan Performance 2009/10

Detailed below is a summary of the work undertaken in 2009/10 to date, showing the levels of assurance given and the number of recommendations arising. Reports being considered at this Committee are shown in italics. Definitions with regard to the levels of assurance and the classification of recommendations are provided below.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Days	Assurance level given	Number of Recommendations Made				
						Actual		Actual (Planned)		F	S	MA	In Total	Agreed
Risk Management	14.09.09							3 (6)						
Corporate Governance Policies & Procedures	Jan							(6)						
Procurement Arrangements	Nov							(5)						
NNDR	01.09.09							5 (6)						
Council Tax	07.09.09							4 (6)						
Health & Safety	06.10.09							(5)						
ICT Healthcheck	Tbc							(6)						
Disaster Recovery Follow Up	Tbc							(4)						
Partnerships	12.10.09							(6)						
Building Control	28.07.09							5 (6)						
Car Parks	Dec							(5)						
Refuse and Recycling	18.05.09	22.05.09	02.06.09	10.07.09	10.07.09	Sept		7 (7)						
Housing Benefits	01.09.09							10 (12)						
Leisure	30.07.09	05.08.09	18.08.09					6 (6)						
Licensing	06.08.09	14.08.09	21.08.09					6 (6)						
General Ledger and Budgetary Control	07.12.09							(6)						

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	Audit Committee	Audit approach	Days	Assurance level given	Number of Recommendations Made				
						Actual		Actual (Planned)		F	S	MA	In Total	Agreed
Income & Debt Management	14.12.09							(5)						
Creditors	18.12.09							(6)						
Cash, Banking and Treasury Management	22.12.09							(6)						
Elections	04.08.09	07.08.09	13.08.09					6 (6)						
Proactive Fraud work	Dec							(5)						
Follow Up	Feb							(5)						
Audit Management	Ongoing							5 (14)						
TOTAL								57 (145)						

Our findings and recommendations are categorised as follows:

Fundamental (F): *action is imperative to ensure that the objectives for the area under review are met*

Significant (S): *requires action to avoid exposure to significant risks in achieving the objectives for the area under review.*

Merits Attention (MA): *action advised to enhance control or improve operational efficiency*

Opinions

Risk Based Internal Audit Assignments

The definitions for the level of assurance that can be given are:

	Level	System Adequacy	Control Application
(positive opinions)	Substantial Assurance	Robust framework of controls ensures objectives are likely to be achieved.	Controls are applied continuously or with minor lapses.
	Adequate Assurance	Sufficient framework of key controls for objectives to be achieved but, control framework could be stronger.	Controls are applied but with some lapses.
(negative opinion)	Limited Assurance	Risk of objectives not being achieved due to the absence of key internal controls.	Significant breakdown in the application of controls.

Follow Up Reviews

Our opinions reflect the progress made in implementing previous internal audit recommendations:

(positive opinions)	Good Progress
	Reasonable Progress
(negative opinion)	Little Progress

Appendix B: Executive Summaries and Action Plans

01.09/10 Contract Services – Refuse and Recycling

Executive Summary

Introduction

An audit of the arrangements for the management of the Refuse and Recycling Contract was undertaken as part of the approved internal audit periodic plan for 2009/10.

The Council entered a contract with Verdant Group PLC commencing November 2007 for the provision of refuse collection, recycling, and district street cleansing. The contract is for seven years, and is worth in excess of £17m (£2.4m for 2009/10).

The day to day management of the contracts lies with the Contracts Manager and five team members including a recently appointed Performance Improvement Officer tasked with identifying areas for improvement via varied streams including feedback surveys.

The Contracts Manager and Head of Environment attend regular operational meetings and they also attend the Performance Improvement Board that is also attended by Cllrs and the Director of Services.

The specific risks considered as part of this audit were:

- Costs of contracted services are not controlled within budget.
- Poor performance against service targets or Performance Indicators.
- On-going service improvements may not be identified or actioned

These risks relate to the objective of ensuring management arrangements for the refuse and recycling contract are adequate and that on-going improvements in service delivery are identified and actioned.

Other risks considered as part of this audit included:

- Complaints may not be handled in a timely manner
- The level of complaints received are not adequately monitored to demonstrate improvement in satisfaction

Scope of the review

The objective of our audit was to evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls for review and limitations were agreed:

Control activities relied upon:

- Contract monitoring meetings
- Performance reporting framework.

Limitations to the scope of the audit:

The scope of the work will be limited to those areas examined and reported upon in the context of the objectives set out in scope for this review. It should not, therefore, be considered as a comprehensive review of all aspects of non-compliance that may exist now or in the future.

- The testing undertaken as part of this audit will be compliance based and sample testing only.

- We will not provide an opinion on the adequacy of the refuse and recycling contract let or the value for money obtained, only the controls in place for monitoring the contracts. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist

The approach taken for this audit was systematic Audit and included the following:

- Establishing the risks affecting the achievement of your corporate objectives.
- Reviewing the adequacy and application of the controls in place to mitigate the risks.

Conclusion

Taking account of the issues identified, in our opinion the Board can take substantial assurance that the controls upon which the organisation relies to manage this area, as currently laid down and operated, are effective.

This assurance level has been formulated on the basis of conclusions drawn on the individual elements of design and application of controls in place:

	SUBSTANTIAL	ADEQUATE	LIMITED
DESIGN OF CONTROL FRAMEWORK	X		
APPLICATION OF AND COMPLIANCE WITH CONTROL FRAMEWORK	X		
OVERALL OPINION	X		

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review.

Recommendations Summary

The following tables highlight the number and categories of recommendations made, showing which have been brought forward from previous audits. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

Risk	FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
COSTS OF CONTRACTED SERVICES ARE NOT CONTROLLED WITHIN BUDGET.	0	0	0
POOR PERFORMANCE AGAINST SERVICE TARGETS OR PERFORMANCE INDICATORS.	0	0	0

ON-GOING SERVICE IMPROVEMENTS MAY NOT BE IDENTIFIED OR ACTIONED	0	0	0
COMPLAINTS MAY NOT BE HANDLED IN A TIMELY MANNER	0	0	1
THE LEVEL OF COMPLAINTS RECEIVED IS NOT ADEQUATELY MONITORED TO DEMONSTRATE IMPROVEMENT IN SATISFACTION	0	0	0
TOTAL	0	0	1

Action Plan

The priority of the recommendations made is as follows:

FUNDAMENTAL	SIGNIFICANT	MERITS ATTENTION
ACTION IS IMPERATIVE TO ENSURE THAT THE OBJECTIVE FOR THE AREA UNDER REVIEW IS MET	REQUIRES ACTION TO AVOID EXPOSURE TO SIGNIFICANT RISK IN ACHIEVING THE OBJECTIVE FOR THE AREA UNDER REVIEW.	ACTION IS ADVISED TO ENHANCE CONTROL OR IMPROVE OPERATIONAL EFFICIENCY

PARA	RECOMMENDATION	CATEGORISATION	ACCEPTED Y/N	MANAGEMENT COMMENT	IMPLEMENTATION DATE	MANAGER RESPONSIBLE
4.3	Consideration should be given to recording in the comments box any issues that have resulted in a job being completed outside of the agreed time period. This should be done for all jobs even when the variation in completion dates is justified and accepted.	Merits Attention	Y	It was agreed that this was a good suggestion and it was implemented immediately via a telephone call to the Verdant Manager.	Implemented on day suggested.	Elizabeth Cullen