

SUBJECT:	Internal Audit: Progress Report
MEETING:	Governance Committee
DATE OF MEETING:	03 February 2014
REPORT OF:	Head of Southern Internal Audit Partnership
REPORT DATE:	December 2013

1 Opinion definitions

Opinion	Framework of governance, risk management and management control
Substantial assurance	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate Assurance	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited assurance	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No assurance	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

2 Status of 'live' reports:

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Street Cleansing and Parks & Open Spaces	19/11/12	Economic Development & Environment	Adequate	Adequate	14 (0)	0 (0)	13 (0)	1 (0)
Teachers Pensions	13/12/12	People	Adequate	Adequate	8 (8)	0 (0)	8 (8)	0 (0)
Heating Charges	17/12/12	Economic Development & Environment	Adequate	Adequate	6 (1)	0 (0)	5 (1)	1 (0)
Great Oaks School	21/12/12	People	Adequate	Adequate	15 (1)	0 (0)	15 (1)	0 (0)
Cash Collection & Banking	21/01/13	Corporate Services	Limited	Adequate	12 (5)	0 (0)	7 (5)	5 (0)
Sustainability (Use of Natural Resources / Carbon Reduction)	15/03/13	Economic Development & Environment	Limited	Adequate	11 (9)	0 (0)	9 (8)	2 (1)
Estate Regeneration	26/04/13	Economic Development & Environment	Adequate	Adequate	21 (16)	0 (0)	20 (16)	1 (0)
Development Management	26/04/13	Economic Development & Environment	Limited	Adequate	7 (4)	0 (0)	5 (4)	2 (0)
Locality Teams – Statutory Schools Work / Providers	29/04/13	People	Substantial	Substantial	2 (1)	0 (0)	2 (1)	0 (0)
Payroll	22/05/13	Corporate Services	Adequate	Adequate	7 (2)	0 (0)	6 (1)	1 (1)

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Joint Commissioning - Children and Families	30/05/13	Corporate Services	Limited	Limited	13 (13)	0 (0)	1 (1)	12 (12)
Council Tax & NNDR	07/06/13	Corporate Services	Substantial	Substantial	2 (0)	1 (0)	1 (0)	0 (0)
Quality Assurance	18/07/13	People	Adequate	Adequate	15 (9)	2 (2)	11 (9)	2 (2)
Code of Conduct Members & Officers)	26/07/13	Corporate Services	Adequate	Adequate	3 (1)	0 (0)	3 (1)	0 (0)
IT Infrastructure & Security	13/08/13	Corporate Services	Adequate	Adequate	3 (1)	0 (0)	3 (1)	0 (0)
Street Lighting PFI	09/09/13	Economic Development & Environment	Adequate	Adequate	6 (0)	0 (0)	6 (0)	0 (0)
Portage	13/09/13	People	Adequate	Adequate	6 (0)	2 (0)	2 (0)	2 (0)
Grants to voluntary organisations	10/10/13	Economic Development & Environment	Adequate	Adequate	3 (2)	1 (0)	2 (2)	0 (0)
Human Resources	14/10/13	Corporate Services	Adequate	Adequate	12 (6)	0 (0)	12 (6)	0 (0)
Neighbourhood wardens	22/10/13	People	Adequate	Adequate	7 (2)	3 (0)	0 (0)	4 (2)
School standards	25/10/13	People	Adequate	Adequate	5 (0)	5 (0)	0 (0)	0 (0)
Parking Services	13/11/13	Economic Development & Environment	Adequate	Adequate	1 (0)	0 (0)	0 (0)	1 (0)

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Contract Management	04/12/13	Corporate Services	Limited	Limited	Reference section 3			
Teachers Pensions	07/01/14	Corporate Services	Adequate	Adequate	5 (5)	0 (0)	5 (5)	0 (0)

3 Executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified:

Audit title: Contract Management (Supplier Relationship Management Tool)
Original published audit opinion: Limited
Current audit opinion: Limited
<p>Executive summary:</p> <p>The Supplier Relationship Management (SRM) tool was introduced to provide consistency in monitoring performance of contracts by the services. The SRM enables a focus on performance monitoring arrangements that are agreed with the supplier, based upon the specifications developed by the services, to enable both parties to understand their responsibilities</p> <p>The SRM tool was introduced during 2011 and is currently being trialled on a number of contracts. Training has been provided for the contract managers included on the pilot, however, associated guidance is not comprehensive and has not been reviewed since SRM was introduced.</p> <p>Documents within SRM enable the contract managers to review the performance of the contracts but not all of the documents were being fully completed, by the contract managers.</p> <p>The SRM has a wide degree of flexibility however; this is not suited to a regular quarterly review of performance or indeed cross supplier</p>

comparisons.

Supplier performance reports are passed to the Head of Property and Procurement for review, however there was no demonstrable evidence to substantiate actions taken by the services thereby undermining any meaningful analysis in terms of reviewing under or deteriorating performance.

The SRM toolkit, if used appropriately, has the capability to enhance contract management, however, further guidance is required to support contract managers in ensuring the tool is optimised and that the Council maximise value through their contractual arrangements

Management response:

Previous mitigation against identified risks in respect of contract management, through attendance and raising awareness at Directorate Management Teams or through training have proved ineffective and there is an acknowledgement that contract management is often a 'bolt-on' to existing responsibilities for staff who may not retain the requisite skills or capacity to effectively fulfil the role.

In conjunction with a radical review of the way the Council procures, the Head of Property, Procurement and Health Safety anticipates identifying savings that could be achieved through effective contract management, the objective being that such savings would more than adequate to subsidise a professional contract management service on behalf of the Council.

This will be a significant piece of work requiring changes to how the Council currently develops its specifications, quality requirements, tender evaluation process, use of KPI's, service performance requirements etc. There is no current timelines for implementation, however, this is viewed as a high priority and timeframes will be agreed as part of the business case.

4 Internal Audit Performance

The internal audit service is measured against the following key performance targets:

Performance Targets – 31 December 2013		
	Target for Year (%)	Actual to Date (%)
% of revised plan delivered (including 2012/13 c/f)	95	73
Compliant with the Public Sector Internal Audit Standards 2013	Yes	Yes
% of positive customer responses to Quality Appraisal Questionnaire	90	97.8

5 Planning and Resourcing

The internal audit plan for 2013/14 was approved by the Council's Management Team and the Governance Committee in April 2013. The audit plan will remain fluid to ensure internal availability to react to the changing needs of the Council. Progress against the plan is detailed within section 7

6 Fraud and Irregularities

Within the year we have assessed and where appropriate, advised, investigated or supported the investigation of four allegations of fraud, corruption or improper practice. Of these:

- 2 were investigated resulting in disciplinary action;
- 1 officer resigned during the course of the investigation;
- 1 remains on-going.

We have also continued to provide advice on other cases where required.

7 Rolling work programme

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
2013 / 2014 Audit Plan (including carry forward)					
Health and Safety	✓	✓	✓	✓	
Contract Management	✓	✓	✓	✓	04/12/13
Project management	✓	✓	✓	✓	
Accounts Receivable	✓	✓	✓	✓	
Portage	✓	✓	✓	✓	02/09/13
Contribution & Charging (Non-Residential Care Contributions)	✓	✓	✓	✓	10/07/13
Street Lighting PFI	✓	✓	✓	✓	09/09/13
Transformation	Scoping				

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Partnership arrangements	Scoping				
Information Governance					
Human Resources	✓	✓	✓	✓	14/10/13
Human Resources (2 nd audit)	Scoping				
Gas Safety – Procurement	✓	✓	✓	✓	
Business Continuity & Emergency Planning	✓	✓			
Annual Governance Statement	N/A	✓	✓	✓	03/07/13
Precautions against fraud	N/A	✓	✓	N/A	31/05/13
National Fraud Initiative	N/A	✓	N/A	N/A	N/A
Risk Management	✓	✓	✓		
Effectiveness of the Role of Internal Audit	✓	✓	✓	✓	05/12/13
Housing rent collection	✓	✓	✓		

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Teachers Pensions - annual claim (TR17)	✓	✓	✓	✓	15/01/13
Employers Pensions (teachers and LGPS)	✓	✓			
Income Collection and Transactions	✓	✓	✓		
Accounts Payable	✓	✓	✓	✓	
Debtors process review	✓	✓			
NNDR	✓	✓	✓		
Payroll	✓	✓	✓		
Housing Benefits (including Council Tax Reduction Scheme)	✓	✓	✓	✓	23/12/13
Application support	✓	✓	✓		
Change control	✓				
Capacity planning & management	✓				
Inventory Management	✓	✓	✓	✓	

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Grants to voluntary organisations	✓	✓	✓	✓	10/10/2013
Across Schools Thematic Review 1 (payroll)					
Across Schools Thematic Review 2 (pupil absence management)					
General school reviews – Bevois Town Primary School	✓	✓	✓		
General school reviews – Fairisle Infant & Nursery School	✓	✓	✓	✓	
General school reviews – St Monica Juniors	Scoping				
General school reviews – Sholing Technology College	✓	✓	✓	✓	
SFVS	✓	✓	✓	N/A	N/A
School standards	✓	✓	✓	✓	25/10/13
Data and performance management – Support Services	✓	✓	✓		
Highways	✓	✓	✓		
Itchen Bridge					

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Parking Services	✓	✓	✓	✓	13/11/13
Housing Operation Transformation	Scoping				
Neighbourhood wardens	✓	✓	✓	✓	22/10/13
Transformation of city services	✓	✓	✓	✓	
European Funding	✓	✓	✓	N/A	N/A
Delivery of statutory functions - Family Centres and children centres	Scoping				
Appointeeships					
PARIS	✓	✓	Advice/Consultancy role		
Reablement	✓	✓	✓	✓	
Learning and Development	Scoping				
Fostering	Scoping				
Public Health Contracts	Scoping				

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Local Safeguarding Childrens Board	Scoping				
Public Health	Scoping				
PUSH	✓	✓	✓	✓	25/06/13
Grant Claims – BEEMS Claim 2	✓	✓	✓	N/A	N/A
Grant Claims – BEEMS Claim 3	✓	✓	✓	N/A	N/A
Southampton Day Services – Freemantle Community Centre	✓	✓	✓	✓	