

## ITEM NO: 13 Appendix 1

SUBJECT:	<b>Internal Audit: Status of Work</b>
MEETING:	<b>Audit Committee</b>
DATE OF MEETING:	<b>9 September 2008</b>
REPORT OF:	<b>Chief Internal Auditor</b>
REPORT DATE:	<b>18 August 2008</b>

### 1 Internal audit report opinion definitions:

<b>Opinion</b>	<b>Framework of governance, risk management and management control</b>	<b>Risk to achievement of management's objectives</b>
Substantial assurance <b>[G]</b>	Basically a sound framework in place that is operating effectively however some non-critical weaknesses or immaterial evidence of inconsistent application of the framework may have been identified.	Some risk beyond accepted parameters that all objectives may not be fully achieved.
Limited assurance <b>[A]</b>	Critical weakness(es) identified within the framework or significant evidence of inconsistent application.	Risks may not be clearly defined and/or may fall outside accepted parameters. One or more important objectives are unlikely to be achieved.
No assurance <b>[R]</b>	Fundamental weaknesses have been identified or the framework is ineffective or absent.	Failure to recognise and manage risks effectively. A real and substantial risk of failure to achieve management's objectives.
Closed <b>[X]</b>	Management has confirmed that all identified framework weaknesses have been appropriately addressed.	Management considers risks to achievement of stated objectives to fall within accepted parameters.

**2 Status of 'live' reports:**

Audit title	Report date	Audit Sponsor	Directorate	Opinion					Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008		
ITS Backup and Disaster Recovery	22/06/06	Head of IT	Resources	A	G	G	G	G	39 (8)	1 (0)
Client Money Service	04/05/07	Executive Director	Communities Health and Care	A	A	G	G	G	12 (10)	1 (1)
Grants to the Voluntary Sector	29/05/07	Communities	Health and Care	G	G	G	G	X	7 (3)	0
Debtors	29/05/07	Head of Transactions	Resources	G	G	G	G	G	14 (0)	6 (0)
Partnership Working Arrangements	15/06/07	Chief Executive	Cross-cutting	G	G	G	G	G	6 (0)	1 (0)
Ensuring System Security	06/07/07	Head of IT	Resources	A	A	A	A	A	33 (11)	7 (1)
ICT Strategy	29/08/07	Head of IT	Resources	A	A	A	G	G	5 (1)	1 (0)
Project management on funded projects	27/11/07	Executive Director	Communities Health and Care		A	A	A	G	15 (9)	1 (1)

Audit title	Report date	Audit Sponsor	Directorate	Opinion					Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008		
Decent Homes Transformational Programme	25/01/08	Head of Decent Homes	Neighbourhoods			A	A	A	20 (7)	4 (0)
Domiciliary Care	25/01/08	Head of Health and Community Care	Communities Health and Care			A→G	G	G	3 (1)	1 (1)
Business Continuity Planning	13/02/08	Head of Communities and Regeneration	Communities Health and Care			G	G	G	10 (0)	6 (0)
Strategic Services Partnership	28/02/08	Executive Director of Resources	Resources			G	G	G	3 (1)	1 (1)
Compliance with Health and Safety Legislation	12/03/08	Executive Director of Resources	Resources				G	G	9 (0)	5 (0)
Payroll	17/03/08	Executive Director of Resources	Resources				G	G	6 (1)	6 (1)
School Admissions	17/03/08	Executive Director Children's Services and Learning	Children's Services and Learning				G	G	5 (2)	5 (2)

Audit title	Report date	Audit Sponsor	Directorate	Opinion					Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008		
Supporting People	25/03/08	Executive Director Communities Health and Care	Communities Health and Care				<b>G</b>	<b>X</b>	11 (1)	0
Partnership Agreements under the NHS Act 2006	28/03/08	Executive Director Communities Health and Care	Communities Health and Care				<b>A</b>	<b>G</b>	15 (14)	1 (1)
Fleet Transport	08/04/08	Executive Director of Environment	Environment				<b>G</b>	<b>G</b>	11 (0)	8 (0)
Data Management - Child Protection Records	15/04/08	Executive Director Children's Services and Learning	Children's Services and Learning				<b>A</b>	<b>A</b>	8 (6)	1 (1)
Licensing	16/04/08	Chief Executive	Legal and Democratic Services				<b>A→G</b>	<b>G</b>	13 (3)	2 (0)
Parking: Off and On Street	16/04/08	Executive Director of Environment	Environment				<b>G</b>	<b>G</b>	15 (4)	4 (0)
Financial Management	06/05/08	Executive Director of Resources	Resources				<b>G</b>	<b>X</b>	1 (0)	0

Audit title	Report date	Audit Sponsor	Directorate	Opinion					Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008		
Receipt Management and Banking	07/05/08	Executive Director of Resources	Resources				<b>G</b>	<b>G</b>	5 (0)	4 (0)
Accommodation Strategy	16/05/08	Executive Director of Resources	Resources				<b>A</b>	<b>A</b>	3 (3)	3 (3)
Internet and Email	16/05/08	Executive Director of Resources	Resources				<b>A</b>	<b>A</b>	10 (3)	3 (3)
Local Taxation Services	06/06/08	Executive Director of Resources	Resources					<b>G</b>	6 (0)	3 (0)
Housing Rent Collection and Debt Collection	10/06/08	Executive Director of Resources	Resources					<b>G</b>	1 (0)	1 (0)
Application and Software Management	10/06/08	Executive Director of Resources	Resources					<b>A→G</b>	10 (3)	2 (1)
Network Management	10/06/08	Executive Director of Resources	Resources					<b>A</b>	19 (0)	14 (0)

Audit title	Report date	Audit Sponsor	Directorate	Opinion					Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008		
Children and Young Peoples Plan / Children's Trust	12/06/08	Executive Director Children's Services and Learning	Children's Services and Learning					<b>A/G</b>	11 (3)	1 (1)
Housing and Council Tax Benefit Administration	13/06/08	Executive Director of Resources	Resources					<b>G</b>	6 (0)	3 (0)
Across Schools Thematic Reviews - Security	16/06/08	Executive Director Children's Services and Learning	Children's Services and Learning					<b>A</b>	8 (4)	7 (4)
Direct Payments	19/06/08	Executive Director Communities Health and Care	Communities Health and Care					<b>R</b>	24 (24)	6 (6)
Creditors	19/06/08	Executive Director of Resources	Resources					<b>G</b>	4 (2)	4 (2)
Risk Management	01/07/08	Executive Director of Resources	Resources					<b>G</b>	2 (2)	2 (2)
Financial Management of Assets	03/07/08	Executive Director of Resources	Resources					<b>A→G</b>	9 (5)	2 (1)

Audit title	Report date	Audit Sponsor	Directorate	Opinion					Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008		
Joint Area Review	08/07/08	Executive Director Children's Services and Learning	Children's Services and Learning					<b>G</b> → <b>X</b>	0 (0)	0
Code of Conduct and Disciplinary Rules	24/07/08	Executive Director of Resources	Resources					<b>A</b>	17 (13)	17 (13)
Housing Needs	24/07/08	Executive Director of Neighbourhoods	Neighbourhoods					<b>A</b>	7 (6)	7 (6)
Affordable Housing	14/08/08	Executive Director of Neighbourhoods	Neighbourhoods					<b>A</b>	12 (4)	12 (4)
Adult Disability and Learning Disability Services	18/08/08	Executive Director Communities Health and Care	Communities Health and Care					<b>A</b>	3 (2)	3 (2)
Workforce planning	04/09/08	Executive Director of Resources	Resources					<b>G</b>	8 (0)	8 (0)
Capital Programme and Major Projects		Executive Director of Resources	Cross-cutting					<b>A</b>	TBA	TBA

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

**Audit title: Application and Software Management (10/06/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Substantial Assurance [G]

**Executive summary:**

The IT Development Group have carried out project management and systems development, focusing on the major projects and initiatives of the Council, performing detailed data and process engineering to maximise return on investment in new systems.

Areas of good practice identified during the audit included the use of PRINCE2 project management methodology; and the authorisation process for projects through the Council's Resources Board before they can proceed. In addition, licence agreements were in place for all applications reviewed.

Although there have been restores of PARIS (Health and Social Care System) and Agresso (Financial System) from backup media and ad hoc restores when difficulties have been encountered, in general there was a lack of systematic testing of restores of application servers. This did not give confidence that applications could be recovered within an acceptable timescale.

**Management actions and update since last report:**

Requirements have been met to minimise the risks of systems residing on single servers.

KPI's governing Priority 1 system failures are met and performance is continually monitored.

Restore testing is provided through the partnership agreement and the IT Client monitors compliance.

All users must use passwords of eight characters to access the Corporate network through Active Directory, one of which has to be a number and one of which has to be a capital letter.

The minimum password length and expiry have now been brought into line with the corporate policy.



**High priority actions overdue:**

None

**Audit title: Network Management (10/06/08)**

**Original published audit opinion:** Limited Assurance **[A]**

**Current audit opinion:** Limited Assurance **[A]**

**Executive summary:**

The Council's technical IT infrastructure was in a period of considerable transition which included the convergence of voice and data networks and the migration from the Novell network operating system to Microsoft Active Directory.

Six out of a total of fourteen network communication cabinets were not appropriately secured with a risk of unauthorised access to the network or interception of network data or disruption through removal of cabling.

The Council's Intranet holds a wealth of relevant standards available to network users; however, different versions of the standards appear in different sections on the Intranet. There was a risk that users may not comply with the latest standard.

Most storage media are now compact and designed for portability but provide sophisticated functionality and high capacity data storage including for example USB memory keys. In addition to the risk of sensitive data being downloaded and removed from the Council, there was also the risk of the introduction of malware onto the network from mobile storage devices. There are no security measures in place at the Council to control the use of USB storage devices such as the use of USB lockdown software.

**Management actions and update since last report:**

The leavers report is sent monthly to the Technical Infrastructure Group Manager who then forwards it on as required.

All old Intranet links have now been removed from 'Search' queries. Relevant standards on the old site are reflected on the current site. Other Intranet pages now point to the current Intranet standards pages

Outline solutions and indicative costs have been produced to implement and maintain USB lockdown software. The IT Client, has considered the benefits of implementing the software against the costs and has decided not to pursue this option any further.

Netscreen has been updated to version 6.1  
Procedures for applying patches to servers have been reviewed and updated

**High priority actions overdue:**

None

**Audit title: Children and Young Peoples Plan / Children's Trust (12/06/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Substantial Assurance [G]

**Executive summary:**

Under section 17 of the Childrens Act 2004 Southampton City Council has a duty to produce and publish a Children and Young People's Plan. A three year plan was produced and published in April 2006 and a review was carried out in May 2007.

Section 10 of the Childrens Act 2004 requires councils to make arrangements to secure co-operation among a number of partners defined in the Act. To comply with this requirement a Children Trust with representatives of all partners was to be developed for implementation by 1st April 2008.

A sound framework for the operation of the Children's Trust has been established to meet legislative requirements.

A number of organisations are involved with the delivery of the Children and Young People's Plan; the working relationship between these partners has received positive comments in the Joint Assessment Review, however without written agreement partners could withdraw at any time without censure. In order to support ongoing work, multi agency agreements are required to be in place to record understanding and to support the actions individual agencies are striving to deliver. Where there are liabilities, a more legally binding agreement in the form of a contract should be in place.

There was no central record of agreements or contracts for the Children and Young Peoples Plan, therefore no means of ensuring all the necessary documentation was in place.

**Management actions and update since last report:**

Legal arrangements have been finalised for the development of the CYPSP into a Children's Trust with membership based on Statutory requirements within the Children Act 2004, and ensuring that all members are covered by the "duty to co-operate".

New national indicators have been integrated into the 2008 CYPP Review for information.

The 2008-11 LAA performance framework for children and young people has been integrated into the 2008 CYPP Review, in preparation for its full integration into the 2009-12 CYPP

The joint commissioning manager is in post and is supporting all areas of joint activity with SCPCT and the CYPP.

Leads for the sub groups have been identified and ratified at the Trust's first Board meeting.

Connexions completed its transfer to Southampton City Council on 1 April 2008

A quarterly performance management report, based upon performance against identified indicators, has been developed for each CYPP outcome lead identified by the Children's Trust.

**High priority actions overdue:**

None

**Audit title: Across Schools Thematic Review - Security (16/06/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A]

**Executive summary:**

Head teachers had introduced controls and procedures to provide for a safe environment. Health and Safety guidelines could be routinely found around each of the schools visited and within documentation available to visitors and staff.

The Council had been working in partnership with local schools and Hampshire police on the Safe Schools Initiative. This initiative provides a methodology for schools to provide effective solutions to crime and disorder in and around schools.

There was no directive or consistency of approach regarding the use of CCTV as a security measure in schools. Some schools were not equipped with CCTV, with others having a varying number of cameras, with varying degrees of sophistication and functionality. Inconsistencies

were further evident regarding recording, backup and retention policies.

There was uncertainty and inconsistency with regard requirements for the maintenance of a single central record of recruitment and vetting checks, particularly in relation to existing staff and external contractors.

**Management actions and update since last report:**

A letter has been drafted and will be sent out at the beginning of term to Head teachers to remind schools of the importance of retaining security of the school site, even when children are not there, and to remind them to change their security codes regularly.

**High priority actions overdue:**

Policies relating to CCTV within schools is to be reviewed. (June 08)

Education Solicitor and the Human Resources Business Account Manager to liaise and provide clarification to schools with regard CRB checks. (June 08)

Risk assessments within schools to be reviewed to ensure a consistent approach is adopted. (June 08)

Lone Working policies within schools to be reviewed to ensure they meet the needs of staff, other agencies and children who may be using the school during and out of hours. (June 08)

**Audit title: Direct Payments (19/06/08)**

**Original published audit opinion:** No Assurance [R]

**Current audit opinion:** No Assurance [R]

**Executive summary:**

The scheme encouraging Councils to offer direct payments to disabled clients was introduced nationally in 1996; prior to this Southampton City Council had run a similar local scheme. The Community Care, Services for Carers and Children's Services Regulations 2003 made it statutory for Councils to offer direct payments to clients requiring community care.

The scheme was being delivered contrary to statutory guidance contained within the Fair Charging Policy. Clients were financially assessed to qualify for help with any other type of domiciliary care but not to receive direct payments. This was identified in a Cabinet report in 2005 but to

date has not been rectified. The Council was therefore at increased risk of legal challenge to the way the scheme is operated.

There were weaknesses throughout the process for delivering direct payments. Management have already recognised that improvements were required and plans were in place for the implementation of improvements which are fundamental to the delivery of the "In Control" project. Progress in delivering these improvements has, however, been delayed and control weaknesses remain.

Advice and support was offered to clients by an independent group, Southampton Centre for Independent Living. An annual payment is made by the Council for this service and additional funding to support independent living. The contract that was in place expired in March 2005; however payment had continued in breach of the Council's contract procedure rules. A new contract for provision of support and advice to people undertaking Direct Payments was to be put out to tender by the end of May with the aim to award a contract by October 2008.

**Management actions and update since last report:**

Financial assessments have been carried out for all Direct Payments users

Cases checked (sample) and highlighted where no care plan exists

Requests to care managers who undertook most recent assessment to undertake review and add care plan

Report run to identify cases not reviewed in last year and highlight for Care Audit as priority

Policy amended to show 'the letter of agreement needs to be returned to care manager and kept on file by them'.

UDF on PARIS to indicate date of receipt of letter of agreement

Documentation reviewed to ensure it has up to date addresses and contact details

Procedures reissued for following up significant balances to team managers and to add timescales for May returns

Monthly reports produced to reconcile orders on Agresso with information on PARIS

PARIS casenote created to record variations in direct payments

System developed for monitoring and investigating changes

User Defined Form developed and fields amended to record data in PARIS

Database reconciled with PARIS information

Data amended on PARIS to reflect accurate position

**High priority actions overdue:**

Charging to take place with the provision of a net payment to all Direct Payment users (July 08)

A consistent rate per hour to be set (July 08)

Review procedures and develop manual for staff to ensure these are clear and followed. (June 08)

Establish information requirements for Creditors, PARIS, Brokerage and Payments teams. (June 08)

Review Direct Payments information on the intranet and update. (June 08)

**Audit title: Financial Management of Assets (03/07/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Substantial Assurance [G]

**Executive summary:**

The reconciliation process in place for the disposals of assets was robust. The Accounting Policies of the Council were consistently used in reporting the assets on the Council's annual Financial Statement of Accounts.

The valuation process for the Council's non-housing assets was consistent and maintenance requirements of the Council's assets were regularly and effectively monitored.

The Housing Price Index information for Southampton area indicated that the value of housing properties for the financial year 2006/07 was enhanced between 6% and 7%, however, the Financial Statement for 2006/07 stated that the index used to enhance the value was 8.87%. The effect of this was an over-enhancement of between £15 million and £18 million. This issue has been addressed by management and the actions agreed have been implemented.

The budgets set were not sufficient to cover all asset repairs and maintenance identified as Priority 1 (urgent), however, the funding available was not fully utilised (i.e. underspends of £425,000 for 2005/06 , £68,000 for 2006/07 and £874,416 for 2007/08).

**Management actions and update since last report:**

Approval for de minimus levels received

Reminder sent to the Cash Office, who are responsible for the text descriptions typed into Agresso, to include the site address for capital receipts. Regular checks are now made by Financial Planning to ensure this is being done

The standard Report of Agreed Terms has been amended to include the Property Code.

There is a programme for putting frameworks in place, and a significant number of frameworks will be put in place by the end of 2008.

A Monthly Strategic meeting is now held focused on the effectiveness of repairs and maintenance. The previous R & M Meeting will now focus on operational matters.

**High priority actions overdue:**

None

**Audit title: Code of Conduct and Disciplinary Rules (24/07/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A]

**Executive summary:**

The Council was reviewing its policy on disciplinary procedures with the aim to being less 'risk adverse'; steps to resolve an issue should be taken early in the process rather than incur costs through long term suspensions.

The document 'Code of Conduct and Disciplinary Rules' was adequate. The Code outlined what conduct is expected of employees of the Council and provides links to Corporate Policies. The Code of Conduct for schools was however in need of updating.

Communication of the Code to staff (new, existing and temporary) was inconsistent. There was no robust system in place for recording acknowledgement of receipt and understanding of the Code by staff.

**Management actions and update since last report:**

None

**High priority actions overdue:**

Include reference to the Code of Conduct in the People Management Charter (PMC) guidelines to induction (July 08)

The temporary employee starter pack should reflect key policies as outlined in the starter letter sent to permanent employees, including the Code of Conduct and Offers of Hospitality and Gifts (July 08)

Temporary employees to be made aware of the council's policies, including disciplinary rules and procedures. (July 08)

**Audit title: Housing Needs (24/07/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A]

**Executive summary:**

The Housing Advice Service (HAS), located within the Civic Centre, aims to deliver housing welfare benefits and related advice to those experiencing highest levels of deprivation. The Neighbourhood Advice Centre (NAC) is located in Derby Road and delivers the same service as the HAS.

A restructure and review of the policies and procedures within the Housing Advice Service (HAS) was performed during 2007 by Housing Needs to ensure that an efficient and effective service was delivered.

The NAC was, however, identified by Senior Management as being at risk of not achieving its aims and objectives. This resulted in the Internal Audit review specifically looking at processes and procedures in operation at the NAC.

The processes followed at the NAC, for identifying customer needs to correctly allocate the query to an appropriate Housing Advisor was unstructured. A case management system (AIMS) had recently been implemented to replace manual system for recording cases and performance, however, was not used to create performance data or to perform trend analysis for either NAC or HAS.

The NAC building was underutilised. Areas of the building were also used by external agencies; however, there were no service level agreements, partnership agreements or other formal contracts with those agencies setting out terms and conditions of use. No contribution was made to the Council for the use of the building or associated costs.



**Management actions and update since last report:**

None

**High priority actions overdue:**

Introduction of team briefing sessions with Housing Advice and NAC

Liaise with the relevant officers to establish the extent of problems from the lack of corporate IT support for the AIMS remains an area of concern

**Audit title: Affordable Housing (14/08/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A]

**Executive summary:**

Robust processes were in place to ensure appropriate registered social landlords (RSL's) are used by the Council to implement and achieve the affordable housing development programme. Each appointed RSL has been awarded with a five year Southampton Affordable Housing Partnership (SAHP) contract which is subject to quarterly performance monitoring and is subsequently reflected within the contract annual review.

Recommendations raised within the Mori's Housing Need Survey (2006), have been reflected within the Council's Housing Strategy. This ensures a coherent and consistent approach to meet the housing needs of Southampton residents.

The Housing Development Team had not received sufficient information on provision for affordable housing, either through details of "Record of Agreed Terms" (RAT) where development is on Council property/land or of section 106 agreements where a financial contribution is to be paid as an alternative to the provision of affordable housing. New procedures introduced under the SSP contract will, however, improve information and control over agreements for affordable housing.

**Management actions and update since last report:**

An appropriate action plan has been agreed with management

<b>Audit title: Adult Disability and Learning Disability Services (18/08/08)</b>
<b>Original published audit opinion:</b> Limited Assurance [A] <b>Current audit opinion:</b> Limited Assurance [A]
<p><b>Executive summary:</b></p> <p>The aim of Adult Disability and Learning Disability Services are to support disabled adults and their carers to develop necessary skills to live as independently as possible by providing access to a range of high quality services which respect the dignity of the users and promote equality.</p> <p>Services are provided both directly by the Council and in partnership with other organisations, including the Southampton City Primary Care Trust and Hampshire Partnership Trust.</p> <p>A high percentage (47.4% between 01/10/07 - 16/06/08) of adult complaints did not achieve the statutory requirement for response within 10 days as identified within the Community Health and Standards Act 2003 and could expose the council to financial penalties and legal challenge.</p>
<p><b>Management actions and update since last report:</b></p> <p>An appropriate action plan has been agreed with management</p>

<b>Audit title: Capital Programme and Major projects</b>
<b>Original published audit opinion:</b> Limited Assurance [A] <b>Current audit opinion:</b> Limited Assurance [A]
<p><b>Executive summary:</b></p> <p>Capital/ Major Project Boards have been set up within each Directorate (except Resources) and are meeting regularly. Although each has a Terms of Reference there is no specified minimum requirement for their operation, meaning there are inconsistencies in their operation and reporting frameworks. Due to the significant differences between the nature of Directorate/ Portfolio capital programmes and projects there needs to be some flexibility in the operation of the Boards, but corporate minimum requirements for all Directorates need to be specified to ensure the effectiveness of this key part of the governance framework. Executive Directors and their senior managers will then need to</p>

consider the most effective way of operating their Board within these requirements, to suit the size and nature of their individual capital programme.

There is an apparent lack of prioritisation of resources dedicated to the programme/ project monitoring processes which has resulted in time being spent at Directorate Boards discussing matters of detail that could have been more appropriately covered outside of these meetings, had the officers involved had the time and opportunity available to do so. This in turn has prevented the Board meetings from covering programme governance matters robustly and sufficiently or occasionally at all, and thus from discharging their duties effectively. In addition, some Board meetings have been presented with inadequate or no financial information due to pressures of other work on Finance staff.

The prioritisation of resources for programme/ project monitoring and clarification/ emphasis of this, will:

- in the short term, allow better assessment and planning of the Board meetings and information required for them; and
- in the longer term, assist in embedding better processes for programme/ project monitoring.

Six-monthly financial reports on the overall capital programme are presented to COMT, Cabinet and Council, but these do not include details of the progress/ delivery of the programme and individual schemes/ projects. There is no corporate coordination function for the Council, providing oversight, scrutiny and challenge across the Council's capital programme and major projects, therefore no means of ensuring that Directorate Boards are operating effectively and that the Directorate/ Portfolio programmes and projects are being properly managed and delivered.

**Management actions and update since last report:**

An action plan has been discussed and agreed with the Executive Director of Resources, the Head of Finance and the Chief Officers Management Team.

**4 Update on previously published reports where critical weaknesses or unacceptable levels of risk identified:**

**Audit title: Client Money Services (04/05/07)**

**Original published audit opinion: No Assurance [R]**

**Current audit opinion: Substantial Assurance [G]**

**Executive summary:**

Client Money Services was introduced in 2004 to ensure finances for residents living in the Council's residential homes are managed in compliance with the National Minimum Standards for Care Homes. The Council administers bank accounts on behalf of 83 clients residing in Council homes and 168 clients in private homes. The balance of funds held in 2006 was around £666K.

Accounts for clients living in the Council's residential homes were found to be well managed, however, this was not the case in respect of accounts for clients within private homes, with no evidence of regular reconciliation to confirm that accounts were correct.

Further areas of concern were raised around the accuracy and completeness of client and the absence of key documents and parity between paper files retained and the Client Management System (Paris).

**Management actions and update since last report:**

Holding accounts have been reduced and work is ongoing to clear balances.

**High priority actions overdue:**

Monies in the two holding accounts need to be fully assessed and resolved in order for all clients' accounts to be accurate. (April 07)

N.B. Exchequer Services are liaising with the Finance Systems Team to prepare a report to update the list (target date 21<sup>st</sup> August) which will be used for debt recovery or write off.

**Audit title: Ensuring System Security (06/07/07)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A]

**Executive summary:**

The Council has a fundamental business requirement to ensure ICT systems security and compliance with applicable laws and regulations.

Key audit observations highlighted:

Flaws were identified in the design of the online user set up form that could allow a seemingly authorised request for a bogus user and

(because there is no validation of authorised access requests) this might be processed without detection. Users are cloned on existing IDs rather than set up according to their actual role and may thereby acquire access rights and functions within systems that they do not need. There is a lack of regular reviews of access and authorisation rights by management to act as a compensating control.

Issues were identified in respect of the control of remote dial up and ISDN access. In particular, it was not possible to reconcile the purchases of RSA SecurID authentication tokens with unused stocks, records of issue, user accounts and deactivated tokens.

The Council processes a high volume of payment card transactions online. If the card payment system was compromised and this resulted in card fraud the Council could face sanctions from the card companies. The major card companies have introduced the Payment Card Industry (PCI) standard to specify the security controls that they consider necessary to secure card payment systems. The audit established that the Council is not yet fully compliant with the PCI standard as it has not carried out a compliance self-assessment or completed quarterly perimeter scans.

**Management actions and update:**

Users are restricted to three login attempts after which they are locked out

**High priority actions overdue:**

Automation of providing new users accounts linked to HR business processes (March 08)

N.B. the options for the automation of new user accounts being linked to the HR business process have been investigated. It is possible but will need to be launched as a separate project.

As an interim measure, a manual process has been agreed to ensure that two employees cannot collude to create a fictitious user account. The interim measure is in the process of being implemented.

**Audit title: Project management on funded projects (27/11/07)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Substantial Assurance [G]

**Executive summary:**

The projects reviewed were found to have been delivered on time and within budget. However, the audit identified a number of areas where the Council's policies, procedures and systems require review to provide consistent standards and a more robust framework for future project delivery:

- the Council's Contract Procedure Rules are ambiguous and open to interpretation;
- there is a duplication of accounting records for capital accounting and monitoring;
- internal recharging to project budgets is slow making it difficult to accurately monitor total project spend; and
- project documentation from feasibility, approval, through to conclusion was not readily available and could be held in a multitude of locations, particularly where work had been outsourced to consultants working on behalf of the Council, impacting on ability to ascertain physical and financial progress of works on a timely basis.

**Management actions and update:**

All current projects have a post implementation review built into their plan

**High priority actions overdue:**

Agreed action was to utilise Capita's Business Management System (BMS) to manage the structure and retention of project documentation. Furthermore, information and files would either be held in the Council or Capita offices in Southampton, rather than with third party consultants.

Capita BMS System is not yet in place. Procedures for retention of information are covered by Southampton City Council procedures. There are local procedures, which will eventually come under the umbrella of BMS. This procedure has been issued to the staff and they are aware that files should not leave the office, other than back to the Council.

**Audit title: Decent Homes Transformational Programme (25/01/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A]

**Executive summary:**

The accuracy of the housing stock data base – Codeman, is crucial to the success of the programme. It is used to record the condition and age of housing stock and components. Inaccurate or lack of up to date information on the condition of the housing stock impacts on future works, budgeting, funding and reporting. The audit review found that data input into Codeman was not comprehensive:

- data was collected from several different sources and in several different formats;
- retrospective data (2006-2007) on completed works was not complete;
- there were no quality checks performed on data entered into Codeman.

Several services are involved in the Decent Homes programme. Communication of the programme status and KPI's were inconsistent and ineffective between the services involved. It was unclear if there was one overall document outlining the status of the Decent Home programme circulated to all parties involved.

**Management actions and update:**

Monthly monitoring reports now received from all four contractors

Staff restructure agreed and implemented.

Quality checks on Codeman and the surveyors reports are now in place

Appropriate training has been undertaken in the use and future developments of Codeman

**High priority actions overdue:**

None.

**Audit title: Partnership Agreements under the NHS Act 2006 (28/03/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Substantial Assurance [G]

**Executive summary:**

The National Health Service Act 2006 underpins the legal requirement for partnership agreements between the Council and health. In order to

define such partnership agreements and to comply with legislation, appropriate contracts must be in place.

New contracts were found to be sound, supported by an evolving governance framework through the Planning and Governance Board.

Historically a number of contracts had been operating in breach of the National Health Act 2006. Management had put in place a robust programme plan, administered by the contracts team and reported periodically to the Planning and Governance Board, prioritising contracts for review on a risk basis to remedy the situation. A considerable amount of work had been undertaken, although a number of contracts remained outstanding owing to the level of resources available and the complexities of finalising agreements with health partners. Management has escalated the outstanding issues with partners to ensure all breaches would be addressed by the end of May 2008. Until all breach contracts have been replaced and management are able to ensure contracts exist in all applicable areas, the Council will remain in breach of the act, retaining financial and insurance risks to the services provided.

Whilst Commissioning Managers are confident of the requirements to raise a contract, there was a lack of consistency in ensuring services were delivered within stipulated contract terms and conditions. Additionally, delays were evident in the transfer and actioning of documentation between partners during contract development, increasing the risk of service commencement prior to contract completion.

Robust action plans were set out in response to this report, endorsed by the relevant Executive Directors, demonstrating a high level of management commitment to both remedy the historical problems present in these partnership arrangements and to prevent such issues arising in the future.

**Management actions and update:**

Reporting template to be devised, detailing core and individual contract specific requirements that must be reported and discussed at monitoring meetings.

A project plan approach for Section 75 Agreements to be developed to include timescales and dependencies.

Successful recruitment of a new contract officer

**High priority actions overdue:**

Agreed action was that following recruitment of the contracts officer a priority action plan would be developed and agreed with the Planning and Governance Board of progress on the remaining CS&L partnership (s256 & s76) agreements (June 08).

A recruitment campaign undertaken in June for a contract officer was unsuccessful. A further recruitment campaign in August was however successful, enabling work on the action plan to now progress.



**Audit title: Data Management - Child Protection Records (15/04/08)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A]

**Executive summary:**

The Children and Families Division, as part of the Children's Services and Learning Directorate, are responsible for the management of the Child Protection Register. Changes introduced nationally signify the cessation of the register in April 2008 and replacement with Child Protection Plans.

The management of data pertaining to entries on the register was sound with management aware of divisional weaknesses and clear evidence that they are working to rectify them.

The Paris system is used to store data for all social service activities for children and adults. Protocols existed allowing system access for new users but it was found these were not consistently applied.

The deadline for the change from the Child Protection Register to Child Protection Plans (1 April 2008) would not be met as the software required would not be available until March 2008. The new software would require testing and could not be added to Paris at the end of the financial year due to the potential affect on close down and financial information stored within the system.

**Management actions and update:**

Protocols signed by all new users

CS&L staff with access to PARIS or client details are CRB checked and sign a security declaration

Clear desk policy implemented, and locked storage available

Instruction to staff issued to appropriately maintain storage media i.e. CD's etc

**High priority actions overdue:**

Agreed action was that software to allow progression from the Child Protection Register to the Child Protection Plan would be tested for compliancy with the council's test environment and it was anticipated it would go live June 08.

<b>Audit title: Accommodation Strategy (16/05/08)</b>
<b>Original published audit opinion:</b> Limited Assurance [A] <b>Current audit opinion:</b> Limited Assurance [A]
<p><b>Executive summary:</b></p> <p>The revised accommodation strategy was approved by Cabinet (18 February 2008) and therefore the detailed programme of works was in its infancy and under development. The strategy set out accommodation moves in detail up to the end of April 2008 and included funding analysis and approval of the strategy life. The strategy is a complex chain of events encompassing three major complex projects. It is therefore essential that key decisions are made on time so the overall objective is achieved within the designated timeframe.</p> <p>It is important to note that the development of the programme of works was not given high priority as it was essential that the first phase (Workplace fast forward) was delivered on time as the resources working on both activities would be the same. Phase 1 also needed to be achieved to identify what funding and resources were required to achieve the next phase of the strategy.</p>
<p><b>Management actions and update:</b></p> <p>None</p>
<p><b>High priority actions overdue:</b></p> <p>To produce and maintain a detailed programme of actions/projects to implement the strategy - (completed in draft) (May 08)</p> <p>To set up regular programme review meetings to monitor progress against the above and to take action where necessary. (June 08)</p> <p>Prepare a paper for COMT for agreement in principle:</p> <ul style="list-style-type: none"> <li>· commitment;</li> <li>· who will accommodate the buildings/offices. (July 08)</li> </ul> <p>N.B. Delays to implementation of management action due to a team restructure</p>

**Audit title: Internet and Email (16/05/08)****Original published audit opinion:** Limited Assurance [A]**Current audit opinion:** Limited Assurance [A]**Executive summary:**

On-going initiatives were in place to enhance the controls over the Internet and Email such as the recent IronMail health check and actions taken as a result, and a recent Exchange Server health check undertaken by Microsoft.

NETconsent is due to be implemented as a pilot during June 2008. If successful the software will be fully implemented in December 2008. This software will provide assurance that recipients have received, understood, and agreed to comply with any Council policy requirements.

Key risks to the achievement of managements objectives were identified as:

- the Council's outgoing email is not scanned for inappropriate wording or attachments;
- different versions of the standards appear in different sections on the Intranet;
- the Council's Internet and Email Policy is not sufficiently robust in certain areas;
- the rules set for the Internet content filtering software could be enhanced; and
- reports of staff use of the Internet are not produced and reviewed by management.

**Management actions and update:**

Old versions of the Internet and Email Policies on the Intranet have been identified and removed.

Email and Internet Standards have been reviewed and updated

Reviewed business access to legitimate business Message Boards and Forums

Websense rules reviewed to improve clarity of compliance with policy

**High priority actions overdue:**

Action agreed was to assess the cost effectiveness of scanning all outgoing emails (July 08).

It has been confirmed that it is possible to scan externally bound emails at no additional costs to the Council. The policy to scan externally bound mail will be presented to the Resources Board on 5<sup>th</sup> September.

Action agreed was that if outgoing mail is trapped, then a notification must be provided to the sender to give them the opportunity to reword any offending text that may have been inadvertently included.

It has been confirmed that mail notification for quarantined mail can be achieved for externally bound mail. In the process of reviewing practicalities of implementation

## **5 Internal Audit Performance**

The internal audit action plan to ensure compliance with CIPFA Code of Practice for Internal Audit is broadly complete with the exception of the following items:

- Review partnership agreements currently in place to identify whether they include protocols for assurances and access rights, and update agreements as necessary;
- Finalise the memorandum of understanding with the PCT to enable reliance to be placed on assurance provided by other auditors.

## **6 Planning and Resourcing**

The team continues to carry a 15% shortfall (2 fte) in current resource needs. Supplementary resources will be bought in to provide IT expertise for approved reviews detailed within the 2008/09 audit plan.

Sarah Dennis will be seconded to the Transformation Team with effect from 1<sup>st</sup> October 2008 for a period of 6-12 months. Neil Pitman will lead the service in the interim.

## **7 Rolling work programme**

<b>Audit title</b>	<b>Audit stage</b>
--------------------	--------------------

	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Local Taxation Services	✓	✓	✓	✓	06/06/08
Network Management	✓	✓	✓	✓	10/06/08
Application and Software Management	✓	✓	✓	✓	10/06/08
Housing Rents and Debt Collection	✓	✓	✓	✓	10/06/08
Children & Young Peoples Plan / Children Trust	✓	✓	✓	✓	12/06/08
Housing and Council Tax Benefit Administration	✓	✓	✓	✓	13/06/08
Across Schools Thematic Reviews – Security	✓	✓	✓	✓	16/06/08
Direct Payments	✓	✓	✓	✓	19/06/08
Creditors	✓	✓	✓	✓	19/06/08
Risk Management	✓	✓	✓	✓	01/07/08
Financial management of Assets	✓	✓	✓	✓	03/07/08
Joint Area Review	✓	✓	✓	✓	08/07/08
Code of Conduct	✓	✓	✓	✓	24/07/08

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Housing Needs	✓	✓	✓	✓	24/07/08
Affordable Housing Development	✓	✓	✓	✓	14/08/08
Adult Disability Services / Learning Disability Services	✓	✓	✓	✓	18/08/08
Workforce Planning	✓	✓	✓	✓	04/09/08
Town Depot	✓	✓	✓	✓	
Capital Programme Management	✓	✓	✓	✓	
Precautions against fraud	✓	✓	✓	✓	
Procurement	✓	✓	✓	✓	
Learning Futures Transformational Programme	✓	✓	✓	✓	
Local and Multi Area Agreement	✓	✓	✓	✓	
Homelessness	✓	✓	✓	✓	
Schools PFI Contract Management	✓				

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Expenses Management	✓	✓	✓		
VAT Accounting	✓	✓			
Waste Collection Services	✓	✓			
Mental Health and Substance Misuse Services	✓	✓			
Local Land Charges	✓	✓			
Section 106 Agreements	✓	✓	✓		
Itchen Bridge	✓	✓	✓		
Contract Management	✓				
Registration Services	✓	✓			
Financial Management Standards in Schools	3 of 34 complete				