

# GOVERNANCE COMMITTEE

Monday, 14th December, 2015  
at 5.00 pm

**PLEASE NOTE TIME OF MEETING**

## Conference Room 3 - Civic Centre

This meeting is open to the public

### **Members of the Committee**

Councillor Barnes-Andrews (Chair)  
Councillor Daunt  
Councillor Inglis  
Councillor Jordan  
Councillor Noon  
Councillor O'Neill  
Councillor Keogh

### **Contacts**

Head of Legal and Democratic Services  
Richard Ivory  
Tel. 023 8083 2394  
Email: [richard.ivory@southampton.gov.uk](mailto:richard.ivory@southampton.gov.uk)

Democratic Support Officer  
Ed Grimshaw  
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Email: [ed.grimshaw@southampton.gov.uk](mailto:ed.grimshaw@southampton.gov.uk)

## **PUBLIC INFORMATION**

### **Role of the Governance Committee**

Information regarding the role of the Committee's is contained in Part 2 (Articles) of the Council's Constitution.

#### [02 Part 2 - Articles](#)

It includes at least one Councillor from each of the political groups represented on the Council, and at least one independent person, without voting rights, who is not a Councillor or an Officer of the Council.

### **Public Representations**

At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda

#### **Southampton City Council's Priorities:**

- .Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

**Smoking policy** – The Council operates a no-smoking policy in all civic buildings.

**Mobile Telephones:-** Please switch your mobile telephones to silent whilst in the meeting

**Use of Social Media:-** The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting.

**Access** – Access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

**Fire Procedure** – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

#### **Dates of Meetings: Municipal Year 2015/16**

<b>2015</b>	<b>2016</b>
15 June	8 February
14 September	25 April
9 November	
14 December	

## CONDUCT OF MEETING

### **Terms of Reference**

The terms of reference of the Governance Committee are contained in Part 3 of the Council's Constitution.

[03 - Part 3 - Responsibility for Functions](#)

### **Rules of Procedure**

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

### **Business to be discussed**

Only those items listed on the attached agenda may be considered at this meeting.

### **Quorum**

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

## **DISCLOSURE OF INTERESTS**

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

### **DISCLOSABLE PECUNIARY INTERESTS**

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

## **Other Interests**

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

## **Principles of Decision Making**

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

# AGENDA

**Agendas and papers are now available via the Council's Website**

## **1 APOLOGIES**

To receive any apologies.

## **2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

## **3 STATEMENT FROM THE CHAIR**

## **4 MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

(Pages 1 - 2)

To approve and sign as a correct record the Minutes of the meeting held on 9 November 2015 and to deal with any matters arising, attached.

## **5 EXTERNAL AUDIT ANNUAL AUDIT LETTER**

(Pages 3 - 20)

Report of the Chief Internal Auditor detailing the External Auditors' Annual Audit letter for 2014/15.

## **6 EXTERNAL AUDIT - PROGRESS REPORT**

(Pages 21 - 32)

Report of the Chief Internal Auditor updating the Committee on the external audit progress.

## **7 SOUTHERN INTERNAL AUDIT PARTNERSHIP - EXTERNAL QUALITY ASSESSMENT**

(Pages 33 - 48)

Report of the Chief Internal Auditor detailing the External Quality Assessment for the Committee

## **8 INTERNAL AUDIT - PROGRESS REPORT**

(Pages 49 - 68)

Report of the Chief Internal Auditor updating the Committee on the internal audit progress

**9 REVISIONS TO THE CONSTITUTION - TRANSFORMATION PROJECTS**

(Pages 69 - 72)

To consider the report of the Head of Legal and Democratic Services seeking approval to make changes to the Constitution

Friday, 4 December 2015

Head of Legal and Democratic Services

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## GOVERNANCE COMMITTEE

### MINUTES OF THE MEETING HELD ON 9 NOVEMBER 2015

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Present: Councillors Barnes-Andrews (Chair), Inglis, Jordan, Noon, O'Neill, Keogh and White

Apologies: Councillor Daunt

16. **APOLOGIES**

It was noted that following receipt of the resignation of Councillor Daunt from the Committee, the Head of Legal and Democratic Services, acting under delegated powers, had appointed Councillor White to replace them for the purposes of this meeting.

17. **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

**RESOLVED:** that the minutes for the Committee meeting on 14<sup>th</sup> September 2015 be approved and signed as a correct record.

18. **ANNUAL REPORT ON THE MEMBERS CODE OF CONDUCT / LOCALISM ACT 2011**

The Committee received and noted Head of Legal and Democratic Services detailing the Members' Code of Conduct for approval.

19. **TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS MID YEAR REVIEW 2015**

The Committee considered the report of Chief Financial Officer providing an update on the Treasury Management Strategy and Prudential Limits that were approved by Council in February 2015.

**RESOLVED**

- (i) noted the current and forecast position with regards to these indicators and endorse any changes;
- (ii) noted that the continued proactive approach to TM has led to reductions in borrowing costs and safeguarded investment income during the year;
- (iii) noted the revised Minimum Revenue Provision (MRP) policy made under delegated authority of the Chief Financial Officer which benefit the authority as set out in paragraphs 52 to 55;
- (iv) endorsed the increase in the investment limits as detailed in paragraphs 35;
- (v) noted the position with regard to the Authority's Bond holding with Volkswagen Financial Services as detailed in paragraph 43; and
- (vi) noted the current position regarding set up the Local Authority Bonds Agency Ltd now known as the Municipal Bonds Agency (MBA) plc as set out in paragraph 24-29.

20. **STRATEGIC RISK REGISTER 2015-16**

The Committee considered the report of the Chief Financial Officer detailing the Council's key strategic risks for 2015-16

**RESOLVED** that the Committee noted the 'Strategic Risks' for 2015-16 set out in Appendix 1 of the report.

21. **RISK MANAGEMENT ANNUAL ACTION PLAN - STATUS REPORT**

The Committee considered the report of the Chief Financial Officer providing an update regarding the status of the 2015-16 Annual Risk Management Action Plan.

**RESOLVED** that the Committee noted the status of the Risk Management Action Plan 2015-16.

22. **CONSTITUTION UPDATE-CHANGES TO THE TERMS OF REFERENCE OF THE CHIEF OFFICER EMPLOYMENT SUB-COMMITTEE (KNOWN AS CHIEF OFFICER EMPLOYMENT PANEL)**

In order for Council to deliberate budget proposals being considered on 18<sup>th</sup> November 2015 the Committee gave urgent consideration to the report of the Head of Legal and Democratic Services seeking amendment to the terms of reference of the Chief Officer Employment Sub-Committee.

**RESOLVED** that the Committee noted and recommended to Council the changes to the Terms of Reference of the Chief Officer Employment Sub-Committee as detailed in this report.



# Agenda Item 5

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE		
<b>SUBJECT:</b>	ANNUAL AUDIT LETTER – YEAR ENDED 31 MARCH 2015		
<b>DATE OF DECISION:</b>	14 DECEMBER 2015		
<b>REPORT OF:</b>	CHIEF FINANCIAL OFFICER		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Neil Pitman	<b>Tel:</b> 01962 845139
	<b>E-mail:</b>	<a href="mailto:Neil.pitman@hants.gov.uk">Neil.pitman@hants.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 80
	<b>E-mail:</b>	<a href="mailto:Andrew.lowe@southampton.gov.uk">Andrew.lowe@southampton.gov.uk</a>	

<b>STATEMENT OF CONFIDENTIALITY</b>	
None	
<b>BRIEF SUMMARY</b>	
The purpose of the annual audit letter is to communicate the key issues arising from the work of the external auditor to Members and external stakeholders, including members of the public.	
<b>RECOMMENDATIONS:</b>	
	(i) To note the Annual Audit Letter 2014/15
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	Under the statutory Code of Audit Practice, the external auditors are required to issue a report to those charged with governance the conclusions from their audit work.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	No alternative options have been considered.
<b>DETAIL (Including consultation carried out)</b>	
3.	The external auditors 2014-15 audit work was undertaken in accordance with the Audit Plan issued on 14 April 2015 and was conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.
4.	The external auditors are responsible for: <ul style="list-style-type: none"> <li>• Forming an opinion on the financial statements, and on the consistency of other information published by them;</li> <li>• Reviewing and reporting by exception on the Council’s AGS;</li> <li>• Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources; and</li> <li>• Undertaking any other work specified by the Audit Commission and the Code of Audit Practice.</li> </ul>

	The Annual Audit Letter 2014/15 summaries the results of the external auditor's work across these areas. The report elaborates on those matters the external auditors consider most significant to the Council.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
5.	None
<b><u>Property/Other</u></b>	
6.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
7.	Audit work is undertaken in accordance with the requirements of the Local Audit & Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, auditing standards and other professional requirements.
<b><u>Other Legal Implications:</u></b>	
8.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
9.	None

<b>KEY DECISION?</b>	No	
<b>WARDS/COMMUNITIES AFFECTED:</b>	N/A	
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Annual Audit Letter for the year ended 31 March 2015	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	

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## Southampton City Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP





The Members  
Southampton City Council  
Civic Centre  
Southampton  
SO14 7LY

29 October 2015

Dear Members

## **Annual Audit Letter 2014/15**

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members of Southampton City Council and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 audit results report to the Governance Committee on 14 September 2015, representing those charged with governance. We do not repeat them here.

The matters reported here are those we consider most significant for the Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully

Helen Thompson  
Executive Director  
For and on behalf of Ernst & Young LLP  
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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 1. Executive summary

Our 2014/15 audit work was undertaken in accordance with the Audit Plan issued on 14 April 2015 and was conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements, and on the consistency of other information published with them;
- reviewing and reporting by exception on the Council's AGS;
- forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statements of Southampton City Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 28 September 2015 we issued an unqualified audit opinion on the Council’s financial statements.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 28 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 28 September 2015.
Consider the completeness of disclosures on the Council’s AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act.	No issues to report.

**Area of work**

**Result**

***As a result of the above we have also:***

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Issued a report to those charged with governance of the Council with the significant findings from our audit.

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Our Audit Results Report was issued on 2 September 2015 to the Governance Committee.

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Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

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Issued on 28 September 2015.

We will also issue a report to those charged with governance of the Council summarising the certification of grant claims and returns work we have undertaken.

## 2. Key findings

### 2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 28 September 2015.

Our detailed findings were reported at the 14 September 2015 Governance Committee.

The Council produced its financial statements significantly earlier this year, providing them for audit on 1 June 2015. They were of a reasonable quality, and while material adjustments were made as a result of the audit process, none affected the outturn and general fund balances.

The working papers supporting the statements were not fully complete at the start of the audit, and this should be an area for continued focus by the Council in 2015/16.

The main issues identified as part of our audit were:

#### Significant risks

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##### **Non domestic rate appeals provision**

- ▶ We identified a significant risk in this area due to changes in legislation affecting the period to which appeals can be backdated. The change also caused an increase in appeals before 31 March 2015.
- ▶ We tested the Council's provision and found it to be reasonable although, consistent with previous years, the Council's provision remains high in comparison to other benchmarked authorities, and our own estimate.

##### **Risk of management override of internal controls**

- ▶ We identify this risk on all audits we undertake as management is in a unique position to override controls.
  - ▶ Our testing found no evidence of management override of internal controls.
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#### Other key areas of focus:

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##### **Schools non-current asset accounting**

- ▶ We compared the Council's accounting for schools to a wider population of our audits, identifying that it was potentially an outlier for its treatment of voluntary controlled schools.
  - ▶ We observed that the judgements being made for schools accounting are not well explained in Note 3 to the financial statements. In our view the narrative does not consistently explain how the description of the different access and governance arrangements leads to the accounting treatment adopted.
  - ▶ There are only 3 voluntary controlled schools, and in the context of £1.1 billion total property, plant & equipment assets, we did not consider any possible mis-categorisation would materially distort the reader's understanding of the financial statements.
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### **Schools Direct**

- ▶ The payroll provider to a number of the Council's schools unexpectedly ceased trading during 2014/15.
- ▶ The Council's internal control arrangements mitigated against any risk of financial loss.

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### **Change of bank account**

- ▶ The Council changed its main bank account provider during 2014/15.
  - ▶ When implementing the change in bank accounts, we found that the Council had put appropriate controls in place to prevent material error.
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## **2.2 Value for money conclusion**

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 28 September 2015.

We identified a significant risk associated with the financial challenges faced by the Council, and we noted the following issues as part of our audit.

### **Key finding: Financial Pressures**

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The Council has a significant savings programme over the next three years to address the gaps identified in its medium term financial forecast.

Arrangements are in place to monitor and manage its 2015/16 budget, and to develop savings proposals to achieve a balanced budget for the medium term (to 2019/20). The Council's historic track record is good in both these areas.

We judged the Council still to be financially resilient for the foreseeable future. We emphasise, however, that the scale of the challenge faced is significant. It could potentially increase dependent on national pressures and the next central government spending review. It is important that the Council continues its track record of delivering its planned budget and savings. In particular, progressing the overall transformation programme and identifying clearly supported savings plans is critical to the Council's finances and the balance it has to strike against the level of services it can provide. It cannot manage this gap solely through one-off solutions or accounting adjustments, which are a significant proportion of the 2015/16 budget and the initial tranche of identified savings for 2016/17.

We expect to continue to review the Council's budget and financial planning arrangements in our 2015/16 audit.

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## **2.3 Whole of Government Accounts**

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We had no issues to report.

## 2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

## 2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

## 2.6 Other powers and duties

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

## 2.7 Independence

We communicated our assessment of independence to the Governance Committee on 14 September 2015. In our professional judgement, the firm is independent and the objectivity of the Executive Director and audit staff has not been compromised within the meaning of regulatory and professional requirements

## 2.8 Certification of grant claims and returns

We will issue the annual certification report for 2014/15 on completion of our work on the Council's housing benefit subsidy claim. We anticipate this will be in November 2015.

### 3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we must tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements.

During the year we reported opportunities for the Council to create efficiencies in how it processes financial transactions. These included examples such as:

- ▶ reviewing the need for different formats of sales invoices;
- ▶ rationalising different payrolls; and
- ▶ reducing manual processes and interventions in accounts payable.

We also commented on the continuing complexity of the Council's financial statement production process, which in our view is a further source of inefficiency if the structure of the Council's financial ledger can be simplified and more clearly linked to its statutory reporting responsibilities.

## 4. Looking ahead

Description	Impact
<p><b>Transport Infrastructure Assets:</b></p> <p>The Code of Accounting Practice for 2016/17 implements the requirement to account for Transport Infrastructure Assets. This will be a material change of accounting policy for the Council from 1 April 2016.</p>	<p>CIPFA has produced LAAP bulletin 100, which provides a suggested timetable for actions to prepare for this change.</p> <p>In common with other councils, Southampton City Council is significantly behind the proposed timetable.</p>
<p><b>Working papers:</b></p> <p>We worked closely with the Council earlier in the year to provide a comprehensive client assistance schedule (working paper requirements), specifically highlighting changes from previous years, or more complex areas.</p> <p>There were instances where we requested working papers that were not prepared as part of the closedown or provided to us at the outset of the audit.</p>	<p>Client staff had to prepare these working papers during the audit. This reduces their capacity to turnaround other audit requests especially when also balancing their normal workload.</p> <p>We will meet officers in early November 2015 to debrief on the 2014/15 accounts production and audit process. Our aim will be to identify areas for improvement to assist the Council achieve earlier completion of the audit.</p>
<p><b>Better Care Fund</b></p> <p>The Better Care Fund (BCF) is a major policy initiative between local authorities and the NHS with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. From the 1 April 2015 BCF has been set up as pooled budgets. The partners use the pooled fund to jointly commission or deliver health and social care services.</p> <p>Although local authorities, CCGs and NHS providers have experience of pooled budgets and established joint commissioning arrangements, pooled arrangements under BCF are likely to be on a much larger scale. Nationally the fund is comprised of a number of existing funding streams and will involve a minimum NHS spend of £3.8 billion together with other grant funding streams historically administered by local authorities.</p> <p>The detailed form of local pooled arrangements is not prescribed.</p>	<p>Local BCF arrangements may be complex and varied, that raise risks of misunderstanding and accounting inconsistencies between the partners. There are also structural, cultural and regulatory differences between local government and the NHS, and it is important that these are understood and considered by all of the partners in the operation of the pool.</p> <p>In October 2014 HFMA/CIPFA produced "<i>Pooled Budgets and the Better Care Fund</i>" which provides more detailed guidance on the governance and finance issues underpinning the operation of a pooled budget and the associated risks and challenges faced by local government and NHS partners.</p>

## 5. Fees

Our fee for 2014/15 is in line with the scale fee set by the Audit Commission and reported in our 14 April 2015 Audit Plan.

	Final fee 2014/15	Planned fee 2014/15	Scale fee 2014/15	Final fee 2013/14
<b>Total Audit Fee – Code work</b>	<b>£190,286</b>	£190,286	<b>£190,286</b>	<b>£190,286</b>
<b>Total Audit Fee – Certification of claims and returns<sup>1</sup></b>	£25,340	£25,340	£25,340	£27,632

Our actual fee is in line with the agreed fee.

We undertook no non-audit work at the Council in 2014/15.

*Notes:*

<sup>1</sup> Our fee for certification of grants and claims is yet to be finalised for 2014/15 as the work is ongoing. We plan to report this to those charged with governance within our Annual Certification Report for 2014/15



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# Agenda Item 6

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE		
<b>SUBJECT:</b>	EXTERNAL AUDIT – PROGRESS REPORT – DECEMBER 2015		
<b>DATE OF DECISION:</b>	14 DECEMBER 2015		
<b>REPORT OF:</b>	CHIEF FINANCIAL OFFICER		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Neil Pitman	<b>Tel:</b> 01962 845139
	<b>E-mail:</b>	Neil.pitman@hants.gov.uk	
<b>Director</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 8083 2049
	<b>E-mail:</b>	Andrew.lowe@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>	
NOT APPLICABLE	
<b>BRIEF SUMMARY</b>	
The purpose of this report is to provide the Governance Committee with an overview of the final position against the Council's 2014/15 audit plan, and initial plans for the 2015/16 audit.	
<b>RECOMMENDATIONS:</b>	
(i)	To note the Progress Report – December 2015
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	The Progress Report is a key mechanism in ensuring that the external audit is aligned with the Governance Committee's service expectations.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	No alternative options considered.
<b>DETAIL (Including consultation carried out)</b>	
3.	The progress report has been discussed and agreed with senior officers within the Council.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
4.	None
<b><u>Property/Other</u></b>	
5.	None

<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
6.	External audit is undertaken in accordance with the requirements of the Local Audit & Accountability Act 2014 the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, auditing standards and other professional requirements.
<b><u>Other Legal Implications:</u></b>	
7.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
8.	None

<b>KEY DECISION?</b>	No
<b>WARDS/COMMUNITIES AFFECTED:</b>	N/A
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Progress Report – December 2015
<b>Documents In Members' Rooms</b>	
1.	None
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
<b>Other Background Documents</b>	
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

## Southampton City Council

Governance Committee Progress Report

December 2015





Governance Committee  
Southampton City Council  
Civic Road  
Southampton  
SO14 7LY

3 December 2015

Dear Committee Member

## **Audit Progress Report**

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Committee with an overview of the final position against the Council's 2014/15 audit plan, and our initial plans for the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson  
Executive Director  
For and behalf of Ernst & Young LLP





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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute..

## 2014/15 audit

At the Governance Committee on 14 September 2015 we presented our audit results report for the year ended 31 March 2015. The report summarised our preliminary audit conclusion in relation to Southampton City Council's (the Council's) financial position and results of operations for the year ended 31 March 2015. We notified you that we would issue our final conclusion after the Governance Committee scheduled for 14 September 2015.

We can confirm that on 28 September 2015 we issued an unqualified opinion on the Council's financial statements and an unqualified opinion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion). We completed our work on the whole of government accounts, and had no issues to report to the National Audit Office.

At the Governance Committee on 14 December 2015 we will present our Annual Audit Letter 2014/15. This communicated our final conclusions and any key issues from our audit work in 2014/15.

We would like to take this opportunity to thank officers and Members for their assistance during the course of this work.

## 2015/16 audit

### Fee letter

We issued our 2015/16 fee letter to the Council on 24 April 2015.

### Financial Statements

We adopt a risk based approach to the audit and, as part of our ongoing continuous planning, we will continue to meet key officers regularly to ensure the 2015/16 audit runs as smoothly as possible and to identify any risks and technical accounting issues that require our consideration at the earliest opportunity.

We have agreed to attend a finance team away day in January 2016 as part of our joint working with officers to improve the accounts closedown and audit process.

### Planning and interim visit

We are scheduled to complete our initial planning work, including the walkthrough of the key financial systems in December 2015/January 2016.

There are no significant matters arising from our initial planning meetings that we need to bring to your attention at this stage. We are continuing to liaise with officers on their plans in relation to the new requirements for transport infrastructure assets.

We will update the Committee when the testing of controls and early substantive testing has been completed.

### Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

### Post statements visit

We are in the process of finalising the exact dates for our audit visit, and we will have early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, will be presented to the Governance Committee in April 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

## Value for money

The NAO has consulted on a draft Auditor Guidance Note (AGN) in respect of auditors' work on value for money (VFM) arrangements. The guidance has now been issued and sets out the proposed overall approach to work on VFM arrangements which apply to audits from 2015/16 onwards.

A copy of the final AGN, and the supporting information for local government bodies, can be viewed on the NAO website: <http://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>.

We are required to reach our statutory conclusion on arrangements to secure value for money based on the overall evaluation criterion, supported by sub-criteria as set out below.

The overall criterion for 2015/16 is:

- ▶ In all significant respects, you had proper arrangements to ensure you took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

And the sub criteria are:

- ▶ informed decision making;
- ▶ sustainable resource deployment; and
- ▶ working with partners and other third parties.

We will carry out our initial risk assessment in early 2016 and report the risks we have identified, and associated work we will carry out, to the Governance Committee in April 2016.

## Local appointment of auditors

The Department of Communities and Local Government (DCLG) has announced that it has decided not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. From 2018/19 onwards, local authorities will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Although the new approach to local audit does not come into play until 2018/19, bodies will need to start putting in place the mechanism required to deliver this. As part of the process, bodies will need to set up auditor panels to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. These will need to be in place by early 2017, with the procurement process taking place in spring 2017 and external auditors being appointed by December 2017.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years.

## Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

## Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 Governance Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	<b>Ongoing</b>	Audit Fee Letter	Issued 24 April 2015	Completed
Risk assessment and setting of scope of audit	<b>Dec 2015 - January 2016</b>	Audit Plan	April 2016	In progress
Testing of routine processes and controls	<b>Feb-March 2016</b>	Progress Report	April 2016	
Year-end audit	<b>August- September 2016</b>	<p>Audit results report to those charged with governance</p> <p>Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources)</p> <p>Whole of Government Accounts Submission to NAO based on their group audit instructions</p> <p>Audit Completion certificate</p>	August 2016	Work is planned to start during June 2016.

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# Agenda Item 7

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>		
<b>SUBJECT:</b>	SOUTHERN INTERNAL AUDIT PARTNERSHIP – EXTERNAL QUALITY ASSESSMENT		
<b>DATE OF DECISION:</b>	14 DECEMBER 2015		
<b>REPORT OF:</b>	CHIEF INTERNAL AUDITOR		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	<b>Neil Pitman</b>	<b>Tel:</b> <b>01962 845139</b>
	<b>E-mail:</b>	<a href="mailto:Neil.pitman@hants.gov.uk">Neil.pitman@hants.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	<b>Andrew Lowe</b>	<b>Tel:</b> <b>023 80 2049</b>
	<b>E-mail:</b>	<b>Andrew.lowe@southampton.gov.uk</b>	

<b>STATEMENT OF CONFIDENTIALITY</b>	
NOT APPLICABLE	
<b>BRIEF SUMMARY</b>	
The purpose of this paper is to provide the Governance Committee with outcomes from the Southern Internal Audit Partnership's External Quality Assessment.	
<b>RECOMMENDATIONS:</b>	
(i)	That the Governance Committee note the External Quality Assessment of the Southern Internal Audit Partnership as attached
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	In accordance with the Public Sector Internal Audit Standards and Southampton City Council's Internal Audit Charter, the Governance Committee must be provided with the outcomes of the internal audit services external quality assessment.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	No alternative options have been considered.
<b>DETAIL (Including consultation carried out)</b>	
3.	The Public Sector Internal Audit Standards [1312 External Assessments] requires: <i>'External Assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation.'</i>
4.	Following a review of potential suppliers it was agreed by the Key Stakeholders Partnership Board that the Institute of Internal Auditors would be selected for the purposes of the external assessment of the Southern Internal Audit Partnership.
5.	In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal

	Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.
6.	The assessment was undertaken during September 2015 and included review of a wide range of documentary evidence and interviews with seventeen representative stakeholders (including Chief Executives, Audit Chair's and S151 Officers) along with members of the Southern Internal Audit Partnership
7.	In addition a survey was circulated to all Audit Committee members, Corporate Management Teams (or equivalent) and Southern Internal Audit Partnership (SIAP) staff. Responses were received from 30 members of SIAP, 18 members of the executive management teams and 13 members of Audit Committees.
8.	<p>In considering all sources of evidence (surveys, interviews and documentary review) the external assessment team concluded:</p> <p><i>'The Institute of Internal Audit's (IIA's) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and International Standards. Complimentary standards apply for the public sector as well as Local Government. Added together, there are 343 fundamental principles to achieve, and while some overlap, the context and thrust of the differing standards add complexity within Southern Internal Audit Partnership not seen in many organisations.</i></p> <p><i>It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to <b>all</b> of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the Southern Internal Audit Partnership.</i></p> <p><i>There are <b>no instances</b> across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of Southern Internal Audit Partnership's remit.</i></p> <p><i>It is therefore appropriate for the Southern Internal Audit Partnership service to say in reports and other literature that it "<b>conforms to the IIA's professional standards</b>" and that its work has been performed "<b>in accordance with the IPPF.</b>"</i></p>
9.	<p>Additionally the external assessors benchmarked the performance of the Southern Internal Audit Partnership against a maturity model based on a wide range of UK and Irish internal audit functions and assessed the Partnership as '<b>Excellent</b>' in its:</p> <ul style="list-style-type: none"> <li>• Reflection of the Standards</li> <li>• Focus on performance , risks and adding value</li> <li>• Quality Assurance and Improvement Programme.</li> </ul>



	<p>And as ‘<b>Good</b>’ in its:</p> <ul style="list-style-type: none"> <li>• Coordinating and maximising assurance</li> <li>• The efficiency of its operations</li> </ul>  <p>Grading range: Excellent, Good, Satisfactory, Needs improvement, Poor</p>
10.	<p>The external assessors did identify some recommendations for further development:</p> <ul style="list-style-type: none"> <li>• To introduce 1-2-1 private meetings between the Head of Internal Audit and the Chairman of the Audit Committee(s);</li> <li>• To incorporate within the annual audit plan presented for approval to the Audit Committee(s) a brief (one or two sentence) overview of the scope of individual reviews to assist members in ensuring the risk appetite of the organisation is appropriately reflected;</li> <li>• To highlight the underlying cause for any delays in audit assignments within the progress report presented quarterly to senior management and the Audit Committee; and</li> <li>• To provide an overview to partners of best practice identified across the SIAP’s wider client base or through liaison with other similar bodies to provide additional added value that partnership working affords.</li> </ul> <p>An action plan has been put in place to address all issues by March 2016</p>
11.	Appendix 1 provides a copy of the full External Quality Assessment Report
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
12.	None
<b><u>Property/Other</u></b>	
13.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
14.	The Accounts & Audit (England) Regulations 2015 require that the Council ‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’
<b><u>Other Legal Implications:</u></b>	
15.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
16.	None

<b>KEY DECISION?</b>	No	
<b>WARDS/COMMUNITIES AFFECTED:</b>	N/A	
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Southern Internal Audit Partnership – External Quality Assessment	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	








**Southern Internal  
Audit Partnership**

**Southern Internal Audit Partnership (SIAP)**

Prepared by David Finch and John Chesshire on behalf of the CIIA 16th November 2015

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	<p>Corporate Audit <b>meets all the Standards and the Code of Ethics</b> which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as <b>"Generally Conforms"</b>. It means that Southern Internal Audit Partnership (SIAP) may state in its audit reports that the work "has been performed in accordance with the IPPF".</p> <p>In addition, we confirm that SIAP have also met all the standards of the Public Sector Internal Audit Standards (PSIAS) and those contained in the Local Government Application Note (LGAN) for Internal Audit.</p>
	<p>We have benchmarked the performance of Southern Internal Audit Partnership against a maturity model based on a wide range of UK and Irish internal audit functions and we believe that SIAP is <b>Excellent</b> in its</p> <ul style="list-style-type: none"> <li>• Reflection of the Standards</li> <li>• Focus on performance, risk and adding value</li> <li>• Quality Assurance and Improvement Programme</li> </ul> <p>We consider SIAP is <b>Good</b> as regards</p> <ul style="list-style-type: none"> <li>• Coordinating and maximising assurance</li> <li>• The efficiency of its operations</li> </ul>
	<p>We consider that a key factor in these achievements is that SIAP has a highly competent and technically proficient Head of Internal Audit who has successfully developed the SIAP operation into a leading edge internal audit function, operating effectively across all its clients. We have listed its Strengths, Weaknesses, Opportunities and Threats as prompts for action for further development and continuous improvement.</p>
	<p>Our discussions with Executive directors and Councillors across its client base confirm our view that SIAP is a <b>highly reliable</b> source of third line <b>Assurance</b>; and it is competent to <b>advise</b> on governance, risk and control.</p>
	<p>Organisations tend to get the internal audit functions they deserve. We observed a very positive cultural and operational fit between SIAP and its client base, which has evolved over the last five years under the leadership of the current Head of Internal Audit.</p>

**1. Conformance to the Standards:**

**International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); Local government Application Note (LGAN).**

The Institute of Internal Audit’s (IIA’s) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and *International Standards*. Complimentary standards apply for the public sector as well as Local Government . Added together, there are 343 fundamental principles to achieve, and while some overlap, the context and thrust of the differing standards add complexity within SIAP not seen in many organisations.

It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of these principles, as summarised in the table below. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.

There are **no instances** across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.

		IPPF	PSIAS	LGAN		TOTAL
Summary of Conformance	Standards	Generally Conforms	Generally conforms	Generally conforms	N/A	
Definition of IA and Code of Ethics	Rules of conduct	5	11	-		16
Purpose	1000 - 1130	7	30	18	2	57
People	1200 - 1230	4	13	4		21
Performance	1300 - 1322	7	11	9	2	29
Planning	2000 - 2130	12	55	11		78
Process	2200 - 2600	21	103	18		142
<b>Total</b>		<b>56</b>	<b>223</b>	<b>60</b>	<b>4</b>	<b>343</b>

Note: While PSIAS is based on the IPPF standards, it contains more specific and detailed requirements specifically for internal audit functions operating within the public sector. The LGAN also details further requirements. We have reviewed the self-assessment against each of these levels of requirement.

It is therefore appropriate for the Southern Internal Audit Partnership service to say in reports and other literature that it **“conforms to the IIA’s professional standards”** and that its work has been performed **“in accordance with the IPPF.”**

This external quality assessment was conducted as a validation of the self-assessment carried out by Southern Internal Audit Partnership using the methods prescribed by Chartered Institute of Internal Auditors. We reviewed a wide range of documentary evidence and in addition to members of the SIAP function, interviewed seventeen representative stakeholders and interviewed / discussed matters with members of the SIAP management team.

In addition to our review of the self-assessment, we also used a “Survey Monkey” application to survey a total of 61 persons (30 members of SIAP, 18 members of the executive management teams, and 13 members of Audit Committees), with consistent results that supported our validation and interviews. Copies of the survey results have been shared with the Head of internal Audit.

We have also provided the Head of Internal Audit with our comments in a detailed standard-by-standard checklist as a separate document.

## 2. Opportunities for Further Development and Continuous Improvement

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives, summarised in an Internal Audit effectiveness matrix (page 6). We then interpret our findings into a summary of strengths and weaknesses (page 7) to set the scope for further development based upon the wide range of guidance published by the Chartered Institute. It is our aim to offer advice and a degree of challenge to help internal audit functions continue their journey towards best practice and excellence.

Organisations tend to get the internal audit functions they deserve. We have observed a very positive cultural and operational fit between SIAP and the Councils serviced. This has evolved over the last five years under the leadership of the current Head of Internal Audit as SIAP has evolved and expanded. Further growth to the SIAP concept will however require investment within the SIAP leadership team to address the leadership constraint, and allow service enhancements to be achieved.

Our conversations with management and councillors indicate that SIAP is highly regarded, respected, trusted, and valued.

## Internal Audit Effectiveness Matrix: Southern Internal Audit Partnership's Effectiveness highlighted

Assessment	CIIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
<b>Excellent</b>	<b>Outstanding reflection of the CIIA standards, in terms of logic, flow and spirit. Generally conforms in all areas.</b>	<b>IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.</b>	IA is fully independent and is recognised by all as a 3 <sup>rd</sup> line of defence. The work of assurance providers is coordinated with IA reviewing reliability thereof.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	<b>On-going efforts by IA team to enhance quality through continuous improvement. QA&amp;IP plan is shared with and approved by AC.</b>
<b>Good</b>	The CIIA Standards are fully integrated into the methodology – mainly generally conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC
<b>Satisfactory</b>	Most of the CIIA Standards are found in the methodology with scope to increase conformance from partially to generally conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change but criteria and role require clarity.	The 3 lines of defence is model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising
<b>Needs improvement</b>	Gaps in the methodology with a combination of non-conformances and partial conformances to the CIIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagement go beyond deadline and a number are deferred	QC not consistently embedded across the function. QA is limited / late or does not address root causes
<b>Poor</b>	No reference to the CIIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are adhoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.



**SWOT analysis: Southern Internal Audit Partnership 's opportunities for development:**

What works well (Strengths)	What could be done better (Weaknesses)
<ul style="list-style-type: none"> <li>• Highly proficient team, delivering a high quality and consistent service across the client base, regardless of the extent of contracted work.</li> <li>• Engaged SIAP management team who are universally well regarded by both officers and councillors.</li> <li>• Specialist skills in house to address IT, counter fraud, procurement, and risk aspects.</li> <li>• Concise focussed reporting delivering insight and value.</li> <li>• Comprehensive and pragmatic understanding of the International Standards for Internal Audit (IPPF; PSIAS; LGAN)</li> <li>• Delivery of audit specific training to officers and councillors to improve understanding across SIAP client base</li> </ul>	<ul style="list-style-type: none"> <li>• We note that high performing Internal Audit functions in other organisations have separate but regular informal meetings with both management and audit committee chairs, allowing emerging matters to be identified and discussed. More could be done in this regard.</li> <li>• When presenting annual plans to the Client Audit Committees, the high-level plans do not provide any indication of the detailed scope for the work (itself planned to review areas of high / medium risk to the organisations). Inclusion of a succinct statement of scope for each project would address this need.</li> <li>• SIAP does not have its own function risk register, potentially impacting their ability to “do as I say”. Addressing this would also allow SIAP management to foresee potential issues prior to their crystallisation.</li> </ul>
What could deliver further value (Opportunities)	What could stand in your way (Threats)
<ul style="list-style-type: none"> <li>• We believe that the partnership clients have a varied understanding of risk and risk appetite. Strengthening this understanding further would allow more value to be added in the form of risk maturity reviews; appetite versus actual risk comparisons;</li> <li>• While SIAP report progress to the various clients including status reports for work in progress, this doesn't provide a flavour of timeliness or the causes of delays. Amending the existing report to highlight these delays would create visibility, which in turn should improve timeliness and SIAP efficiency.</li> <li>• SIAP have highlighted their intention to procure a file interrogation application “IDEA”, capable of comprehensively testing large data files. We endorse this approach</li> <li>• Through the execution of their work, SIAP have an opportunity to identify examples of better practice. Where applicable, this could be shared with other partnership organisations to improve the control environment and spread best practice.</li> </ul>	<ul style="list-style-type: none"> <li>• As the partnership grows, so the senior management team will become severely stretched to continue the high quality service offered. Investment in the first line management team will be necessary, but in turn will impact on SIAP's ability to hold down or reduce costs in line with the austerity objectives of the Councils.</li> </ul>

## Recommendations for Further Development

While we have made a number of recommendations within the SWOT analysis, we believe some require further explanation and are detailed below.

Recommendation	SIAP Head of Internal Audit response
<p>Our benchmarking experience demonstrates that effective Internal audit functions operate best when there is a constructive and in-depth understanding between the Head of Internal Audit and the Audit Committee Chairman, developed over time through informal 1-2-1 private meetings. We noted that this type of relationship did not exist with the clients of SIAP. We would therefore encourage the development of such relationships. (Weakness 1 above refers)</p>	<p>The Head of Internal Audit (or representative) currently meets with the Audit Committee Chair to discuss key points of note and pending agenda items as part of the Chairman’s Briefing prior to each Audit Committee meeting, this however, does not constitute the ‘informal 1-2-1 private meetings’ alluded to by the external assessment team.</p> <p>The Head of Internal Audit will liaise with Audit Committee Chairs across the partnership / client base to initiate private 1-2-1 meetings to further enhance current relationships.</p> <p>Head of Internal Audit – December 2015</p>
<p>One role of the Audit Committee is to review the proposed audit plans for the coming year, and to satisfy itself that the plan is balanced; focussed towards the risks of the organisation; and assists the Audit Committee in considering whether the risk appetite of the organisation is reflected in organisation activities. This can only be achieved if the Audit Committee understand the actual scope of proposed audit projects.</p> <p>We noted that while Audit committees were advised of the title of proposed projects, these were without any scope. We believe that the addition of one or two sentences to position the project within the plan would assist committee members in delivering on their obligations. (Weakness 2 refers)</p>	<p>The audit plan for each organisation is derived from extensive liaison with key stakeholders and internal audits own assessment of risk.</p> <p>The rational and indicative scope of reviews that formulate the plans are captured as part of that process, however, as highlighted by the external assessment team are not incorporated in reporting to Senior Management and the Board (Audit Committee).</p> <p>To better inform Senior Management and the Board (Audit Committee) future audit plans will incorporate one or two sentences to position each project within the plan.</p> <p>Head of Internal Audit – March 2016</p>

Recommendation	SIAP Head of Internal Audit response
<p>Managing the timing of Internal Audit activity is a challenge faced by all Heads of Internal Audit. Our benchmarking shows that the most effective way to keep audit projects on track is to improve clarity on why a particular audit project is taking the time it takes to get from inception to completed report. We find this is best achieved by highlighting the extent and underlying cause of delays within progress reports, rather than simply stating the stage reached by a particular project. (Opportunity 2 refers)</p>	<p>Internal Audit reports currently track progress and the sources / reason for delay within an appendix as part of each final audit report.</p> <p>The Head of Internal Audit will work to reconfigure the 'Progress Report' presented quarterly to Senior Management and the Board (Audit Committee) to highlight the extent and underlying cause for delays in audit assignments.</p> <p>Head of Internal Audit – December 2015</p>
<p>SIAP have a policy of not making recommendations, but instead, working with management to identify the most appropriate solution to an identified control &amp; risk issue. Given the broad range of clients with whom SIAP operate, we believe it would be helpful if SIAP were able to give examples of best practice seen across its client base, or indeed those identified when liaising with similar Internal Audit service providers (e.g. South West Audit Partners), albeit within "Chatham House" rules. (Opportunity 4 refers)</p>	<p>Sharing of best practice is implicit within the way work portfolios are allocated and audit assignments are conducted, whereby staff with experience of a particular review area will be used to undertake similar reviews across other partner / client areas, thus imparting their knowledge and experience. However, it is recognised that key risks, opportunities or best practice principles are not formally drawn out and shared across the partnership.</p> <p>The Head of Internal Audit will undertake a quarterly assessment of such examples across the wider partnership and share as part of a standing item on the 'Partnership Board' agenda.</p> <p>Head of Internal Audit – October 2015</p>

## CIIA Grading definitions

## Appendix 1

The following rating scale has been used in this report.

Overall Audit Grading	
<b>Generally Conforms (GC)</b>	The assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
<b>Partially Conforms (PC)</b>	The assessor has concluded that the Internal Audit function is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the function and may result in recommendations to senior management or the board of the organisation.
<b>Does Not Conform (DNC)</b>	The assessor has concluded that the Internal Audit function is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the Internal Audit function's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The assessor must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating.

## List of Interviewees

## Appendix 2

The time and assistance given by Executive Directors, members of the various Senior Management Teams, Councillors, and the leaders and members of the Southern Internal Audit Partnership during the review is greatly appreciated.

Name	SIAP	Exec	NED	Position / role
Neil Pitman	☐			Head of Internal Audit SIAP
Karen Shaw	☐			Deputy Head of Internal Audit SIAP
Antony Harvey	☐			Internal Audit Manager SIAP
Councillor Evans			☐	Chairman Audit Committee – Hampshire County Council
Councillor Kemp-Gee			☐	Member Audit Committee Hampshire County Council & Chair of Pension Fund Panel
Carolyn Williamson		☐		Director of Corporate resources – Hampshire County Council / Office Police & Crime Commissioner
Rob Carr		☐		Head of Finance – Hampshire County Council
Councillor Cutler			☐	Chairman of Audit Committee – Winchester City Council
Simon Eden		☐		Chief Executive – Winchester City Council (Former Chair of Audit Committee University of Winchester)
Alexis Garlick		☐		Head of Finance – Winchester City Council
Councillor Barnes-Andrews			☐	Chairman of Governance Committee – Southampton City Council
Dawn Baxendale		☐		Chief Executive – Southampton City Council
Andy Lowe		☐		Head of Finance – Southampton City Council
Richard Croucher		☐		Lead Business Partner – Hampshire Constabulary
Councillor McIntosh			☐	Chairman of Governance & Scrutiny Committees – Hampshire Fire & Rescue Service
Councillor Williams			☐	Chairman of Governance & Audit Committee – East Hampshire District Council
Councillor Smith			☐	Chairman of Governance & Audit Committee Havant Borough Council
Councillor Perry			☐	Councillor – Havant Borough Council
Jane Eaton		☐		Executive Head of Governance & Logistics – East Hampshire District Council / Havant Borough Council
Kevin Gardner		☐		Chief Executive – Office Police & Crime Commissioner
Total	3	9	8	

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<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE		
<b>SUBJECT:</b>	INTEERNAL AUDIT - PROGRESS REPORT - NOVEMBER 2015		
<b>DATE OF DECISION:</b>	14 DECEMBER 2015		
<b>REPORT OF:</b>	CHIEF INTERNAL AUDITOR		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Neil Pitman	<b>Tel:</b> 01962 845139
	<b>E-mail:</b>	Neil.pitman@hants.gov.uk	
<b>Director</b>	<b>Name:</b>	Andrew Lowe	<b>Tel:</b> 023 80 2049
	<b>E-mail:</b>	Andrew.Lowe@southampton.gov.uk	

<b>STATEMENT OF CONFIDENTIALITY</b>	
N/A	
<b>BRIEF SUMMARY</b>	
The purpose of this paper is to provide the Governance Committee with an overview of internal audit activity against assurance work completed in accordance with the approved plan and to provide an overview of the status of 'live' reports.	
<b>RECOMMENDATIONS:</b>	
	(i) That the Governance Committee notes the Internal Audit Progress Report to the period November 2015 as attached.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	In accordance with the proper internal audit practices (Public Sector Internal Audit Standards), the Governance Committee is required to receive the Chief Internal Auditor's progress report
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	None
<b>DETAIL (Including consultation carried out)</b>	
3.	In accordance with the Accounts & Audit (England) Regulations 2015 a relevant body must:  <i>'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'</i>
4.	In accordance with proper internal audit practices (Public Sector Internal Audit Standards) the Chief Internal Auditor is required to provide a written status report to the Governance Committee summarising: <ul style="list-style-type: none"> <li>• Progress in implementing the audit plan;</li> <li>• Internal audit reviews in progress;</li> <li>• Audit opinion on all internal audit reviews completed since the last report and executive summaries of published reports where critical weaknesses or unacceptable levels of risk were identified; and</li> </ul>

	<ul style="list-style-type: none"> <li>The status of 'live' reports, i.e. those where internal audit work is completed and actions are planned to improve the framework of governance, risk management and management control.</li> </ul>
5.	Appendix 1 summarises the activities of internal audit for the period to August 2015.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
6.	None
<b><u>Property/Other</u></b>	
7.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
8.	<p>In accordance with the Accounts &amp; Audit (England) Regulations 2015 a relevant body must:</p> <p><i>'Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'</i></p>
<b><u>Other Legal Implications:</u></b>	
9.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
10.	None



<b>KEY DECISION?</b>	No	
<b>WARDS/COMMUNITIES AFFECTED:</b>	N/A	
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	Internal Audit Progress Report – November 2015	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None	

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**Internal Audit Progress Report**

**November 2015**

**Southampton City Council**



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# **Southern Internal Audit Partnership**

Assurance through excellence  
and innovation

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## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

***‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.***

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

## 2. Purpose of report

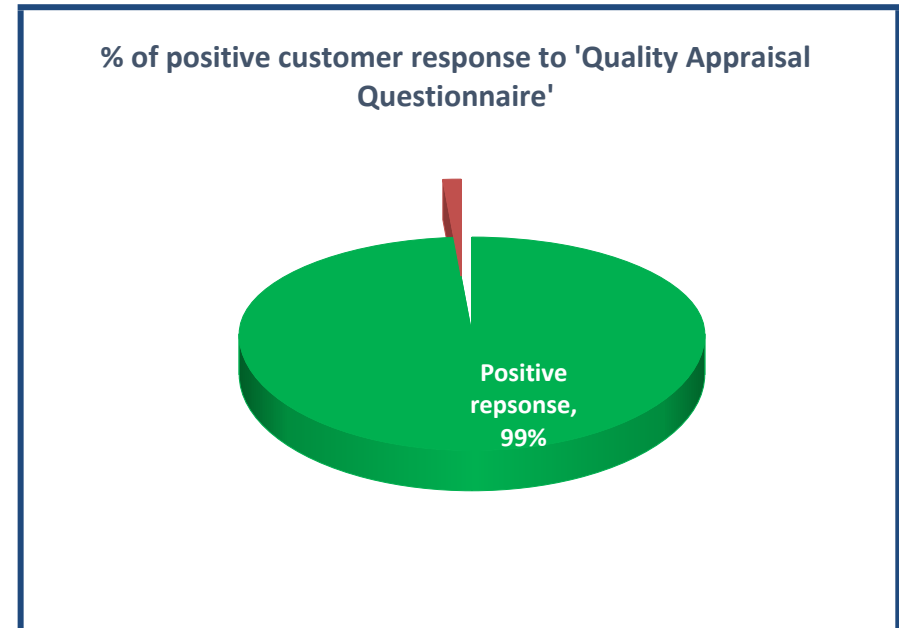
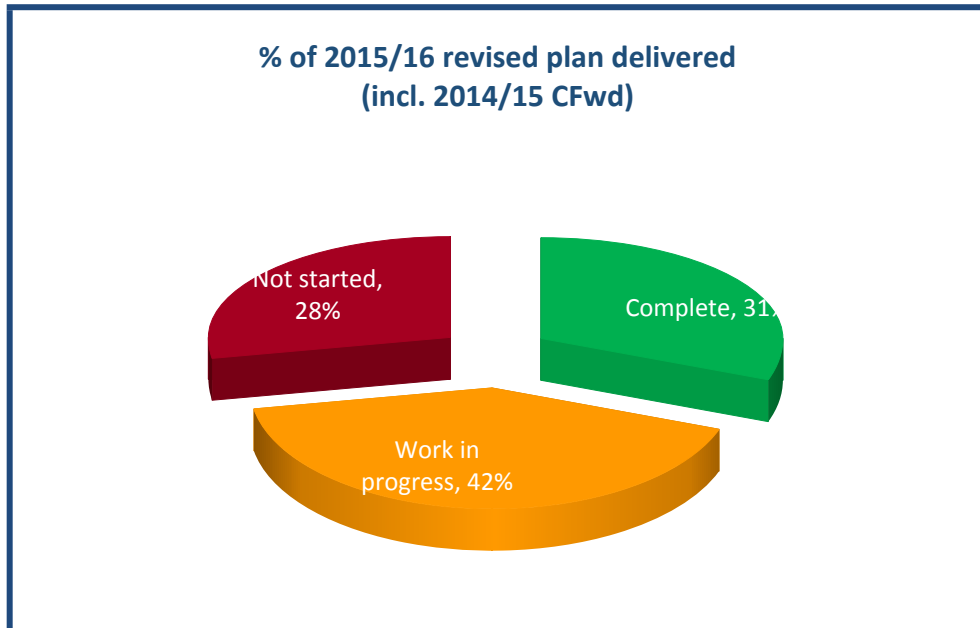
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary a significant issues that impact on the Chief Internal Auditor’s annual opinion.


Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

<b>Substantial</b>	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
<b>Adequate</b>	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
<b>Limited</b>	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
<b>No</b>	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives

3. Performance dashboard



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<b>Compliance with Public Sector Internal Audit Standards / Local Government Application Note</b>	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to <b>all</b> of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN). This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the SIAP.'</i></p>

## 4. Status of 'Live' Reports

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Quality Assurance	18/07/13	People	Adequate	Adequate	15 (9)	0 (0)	13 (7)	2 (2)
Payroll	04/04/14	Corporate Services	Adequate	Adequate	11 (4)	0 (0)	7 (4)	4 (0)
Income Collection and Transactions	09/05/14	Corporate Services	Adequate	Adequate	6 (0)	0 (0)	5 (0)	1 (0)
Information Governance	17/07/14	Corporate Services	Limited	Limited	21 (15)	0 (0)	16 (12)	5 (3)
Integrated Assessment–Data Performance	30/07/14	People	Adequate	Adequate	3 (3)	0 (0)	2 (2)	1 (1)
Itchen Bridge	31/07/14	Place	Adequate	Adequate	10 (5)	0 (0)	9 (5)	1 (0)
Partnership arrangements	01/08/14	Corporate Services	Adequate	Adequate	6 (0)	0 (0)	3 (0)	3 (0)
Health and Safety	22/09/14	Corporate Services	Limited	Limited	16 (14)	0 (0)	10 (8)	6 (6)
Across Schools Thematic Review (Payroll)	12/11/14	People	Limited	Adequate	9 (0)	0 (0)	8 (0)	1 (0)
Maytree Infant and Nursery School	12/11/14	People	Limited	Adequate	23 (23)	0 (0)	22 (22)	1 (1)
Client Monies Service	09/03/15	People	Limited	Adequate	30 (16)	0 (0)	27 (16)	3 (0)
Transport	15/06/15	People	Adequate	Adequate	8 (1)	0 (0)	4 (1)	4 (0)
Housing allocation policy	03/07/15	People	Adequate	Adequate	6(0)	0 (0)	1 (0)	5 (0)
Financial Assessment Process	13/07/15	People	Limited	Limited	32(22)	6 (3)	24(18)	2 (1)
Contribution and charging policies	13/07/15	People	Limited	Limited	11 (8)	0 (0)	9 (8)	2 (0)



Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Housing - stock control	30/07/15	People	No	No	44(11)	0 (0)	37 (11)	7(0)
Accounts Receivable/Debt Management	08/10/15	Corporate Services	Adequate	Adequate	8 (1)	1 (0)	7 (1)	0 (0)
Human resources - Pay and allowances	13/10/15	Corporate Services	Adequate	Adequate	4 (2)	4 (2)	0 (0)	0 (0)

## 5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no new reviews undertaken that have concluded with a limited or no assurance opinion.

## 6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2014 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2014	01.04.15 – 15.11.15
<b>Part 2 Requirements - Fraud</b>	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	26 days
Total number of new fraud cases investigated	0

\*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers, housing benefits etc.)

\*\*the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - ‘the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.’*

## 7. Planning & Resourcing

The internal audit plan for 2015/16 was approved by the Council's Management Team and the Governance Committee in April 2015.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

## 8. Rolling Work Programme

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
<b>2015-16 Reviews (incl. 2014-15 Carry Forward)</b>							
Council Tax (including council tax support)	✓	✓	✓	✓	26.05.2015	Adequate	
Income Collection and Transactions	✓	✓	✓	✓	08.10.2015	Substantial	
Accounts Receivable/Debt Management	✓	✓	✓	✓	08.10.2015	Adequate	
Treasury Management	✓	✓	✓	✓	21.07.2015	Substantial	
Bank account control and change	✓	✓	✓	✓	16.10.2015	Substantial	
Capita development days / Capita Contract Management	✓	✓	✓	✓	16.11.2015	Adequate	
Across Schools Thematic Review – Governance 14/15	✓	✓	✓	✓	19.11.2015	Limited	

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Transport	✓	✓	✓	✓	15.06.2015	Adequate	
School Capital programme	✓	✓	✓	✓	01.09.2015	Adequate	
Housing - stock control	✓	✓	✓	✓	30.07.2015	No	
Housing allocation policy	✓	✓	✓	✓	03.07.2015	Adequate	
City Deal	✓	✓	✓	✓	21.07.2015	Adequate	
Better Care Fund	✓	✓	✓	✓	13.07.2015	n/a	
Financial Assessment Process	✓	✓	✓	✓	13.07.2015	Limited	
Contribution and charging policies	✓	✓	✓	✓	13.07.2015	Limited	
Delivery of statutory functions - EDT – Emergency Duty team	✓	✓	✓	✓	30.06.2015	Adequate	
<b>Corporate Cross Cutting</b>							
Transformation							
Business Continuity and Emergency Planning	✓	✓					
Health and Safety	✓						
Human Resources - Recruitment							

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Human Resources - Pay and allowances	✓	✓	✓	✓	13.10.2015	Adequate	
Human Resources - Policies and procedures	-	✓	✓	N/A	N/A	N/A	
Human Resources - Sickness monitoring	✓	✓					
Procurement	✓	✓					
Contract Management							
Repairs and maintenance							
Strategic Service Partnership							
Fleet Management	✓						
<b>Corporate Governance</b>							
Annual Governance Statement (Assurance Statement)	-	✓	✓	✓	08.05.2015	Adequate	
Proactive Fraud Review(s)	-	✓					
National Fraud Initiative	-	✓					
<b>Financial management</b>							
Housing rents and Debt Management	✓	✓					

Audit title	Audit Progress						Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
<b>Income Collection and Transactions</b>							
Accounts Payable	✓						
Financial Management (budget monitoring)	✓	✓	✓	✓			
Main Accounting System	✓						
<b>Payroll</b>							
<b>IT</b>							
<b>Internet/e-mail</b>							
IT governance	✓	✓					
IT disaster recovery	✓	✓	✓	✓			
Telecommunications	✓	✓					
<b>Strategic Objectives</b>							
<b>Arts and Heritage</b>							
Across Schools Thematic Review 1 – Compliance with Procurement Rules	✓	✓	✓				
Across school thematic review 2 - Payroll	✓	✓					

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Establishment reviews – Holecroft	✓	✓	✓	✓			
Establishment reviews – Glenlee	✓	✓	✓	✓			
General school reviews							
Safeguarding - Protection and Court Teams (PACT)	✓	✓					
Integrated Commissioning Unit - Governance	✓	✓	✓				
SFVS - School Financial Value Standard	✓	✓	✓	✓	✓		N/A
Safeguarding (Children) Assurance mapping							
Highways							
Housing Depot Reviews							
Leisure - contract management	✓	✓					
HMO Licensing	✓	✓	✓				
Adoption	✓	✓					
Better Care Fund							
Care Act							

Audit title	Audit Progress					Final report issued	Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
MARP - Multi Agency Resource Panel	✓	✓					
Families Matters governance review							
Think Local, Act Personal - (Personalisation - support planning)							
Safeguarding - Adults	✓	✓					
Continuing healthcare	✓	✓					
Contribution and charging policies							
Fostering	✓						
Health and Wellbeing Board							
Direct payments	✓	✓					
Quality assurance	✓	✓					
Families Matters grant claims	-	✓					
DOLS							
PUSH	✓	✓	✓	✓	01.06.2015	Substantial	
Bitterne Sixth Form – Capital Project	✓	✓	✓	✓	11.11.2015	N/A	



Audit title	Audit Progress						Audit Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Public Health	✓	✓					

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# Agenda Item 9

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE AND COUNCIL		
<b>SUBJECT:</b>	REVISIONS TO THE CONSTITUTION – TRANSFORMATION PROJECTS		
<b>DATE OF DECISION:</b>	14th DECEMBER 2015 (GOVERNANCE COMMITTEE) 16th DECEMBER 2015 (COUNCIL)		
<b>REPORT OF:</b>	HEAD OF LEGAL & DEMOCRATIC SERVICES		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>	
None	
<b>BRIEF SUMMARY</b>	
The report details revisions to various elements of the Constitution as part of the Council's significant Transformation agenda in order to enable early decision making which will permit quicker project implementation and realisation of financial savings.	
<b>RECOMMENDATIONS:</b>	
<b>GOVERNANCE COMMITTEE</b>	
	(i) That Governance Committee considers the revisions to the Constitution as set out in this report and recommends to Council the following changes:
	<ul style="list-style-type: none"> <li>• Amend Article 12 "Decision Making" of the Articles of Constitution at 'Note 1' on page 20 (definition of key decision) to read "<i>In relation to paragraph (i) above, the term 'significant' shall be construed as meaning £500,000 (except this does not apply to care packages where the value of the care package exceeds £500,000 or to Transformation projects approved by the Council, Cabinet, Cabinet Member or officers as appropriate after consultation with the Transformation Improvement Board (where the value of the project exceeds £500,000 but does not exceed £5m)...</i> {continue text as current}</li> </ul>
	<ul style="list-style-type: none"> <li>• Amend the Budget and Policy Framework Procedure Rules at page 6 (section 5(b) to add "<i>(iii) The Transformation Implementation Director, following consultation with Transformation Improvement Board and Chief Finance Officer, shall be entitled to vire across budget heads where each individual virement does not exceeds £5,000,000 for the purpose of delivering any transformation project</i></li> </ul>

		<ul style="list-style-type: none"> <li>Amend Financial Procedure Rules with an additional row in the tables at A12, B37 and B42 (HRA matters) stating “<b>any amount not exceeding £5,000,000 relating to a transformation project approved as above can be vired / approved by the Transformation Implementation Director following consultation with the Transformation Improvement Board (including virement of expenditure and income budgets and acceptance of external funding).</b>”</li> </ul>
		<ul style="list-style-type: none"> <li>Revise section 5 of the Officer Scheme of Delegation (Transformation Implementation Director) stating “<b>The Transformation Implementation Director, following consultation with the Transformation Improvement Board, Chief Finance Officer and Head of Legal and Democratic Services, shall be empowered to take all decisions or actions necessary to develop, implement and deliver transformation projects approved by the Transformation Board up to a value of £5,000,000 including but not limited to incurring expenditure, structural re-organisations, service reorganisations and entering into contracts and partnership arrangements to deliver services as required together with all ancillary matters necessary to give effect to or conducive to the delivery of such projects.</b>”</li> </ul>
<b>COUNCIL</b>		
	(i)	That Council approves the revisions to the Constitution as set out above.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>		
1.	As set out in the summary above, time is of the essence in delivering any corporate transformation projects to capture such significant financial savings as have been broadly or specifically identified in the budget proposal previously agreed. By increasing the scheme of delegation to officers to specifically include matters of up to £5,000,000 in overall value, after consultation with Transformation Improvement Board more timely implementation will be achieved. Proposals will, of course, still be treated as Key Decisions where appropriate.	
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>		
2.	To leave the Constitution as it stands. This would add delay in implementing significant transformation projects in that matters may have to be referred to full Council for decision due to the value involved. That may well require special meetings on an ad hoc basis as projects and proposals develop. That builds in inherent delay and inconvenience to members.	
<b>DETAIL (Including consultation carried out)</b>		
3.	As the Council’s Transformation agenda and projects gather pace agility is needed to ensure delivery in as quick a manner as appropriate. This does not circumvent publicity or transparency as any proposed Key Decisions will be published and the role of Overview and Scrutiny Committee will remain intact. The proposed changes aid that by quicker delivery, nothing more.	

4.	To assist delivery, prior to and/or following each Transformation Improvement Board, a working group standing meeting of officers to include finance, legal, HR and policy / strategy will meet to review projects and identify those where there may be political sensitivities and identify consultation requirements with staff, service users, wider public along with any EIA / PIA implications and requirements that must be addressed before formal decisions taken.
5.	Formal sign off of any projects approved by the Transformation Implementation Director under the proposed delegations will be recorded with reasons with a report to Transformation Improvement Board as necessary. For more operational matters, as now, a report by email containing the same level of information to meet the legal requirement to evidence reasons for decision under the current law on officer decision making will be compiled.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
6.	None
<b><u>Property/Other</u></b>	
7.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
8.	S.111 Local Government Act 1972, Local Government Act 2000
<b><u>Other Legal Implications:</u></b>	
9.	None
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
10.	None. All decisions must be made with Council agreed policy and budget.

<b>KEY DECISION?</b>	No	
<b>WARDS/COMMUNITIES AFFECTED:</b>	None	
<b><u>SUPPORTING DOCUMENTATION</u></b>		
<b>Appendices</b>		
1.	None	
<b>Documents In Members' Rooms</b>		
1.	None	
<b>Equality Impact Assessment</b>		
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out?		No
<b>Privacy Impact Assessment</b>		
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out?		No
<b>Other Background Documents</b>		
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None	