Internal Audit Progress Report

August 2014

Southampton City Council

Southern Internal Audit Partnership

Assurance through excellence
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Contents:

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Audit Partnership**

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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 2011, which states that a relevant body must:

'Undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

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.

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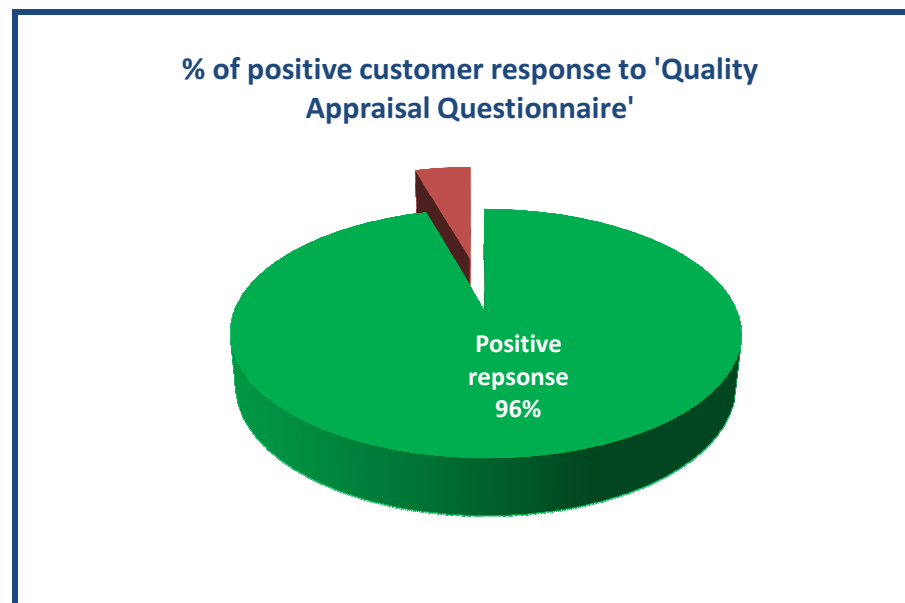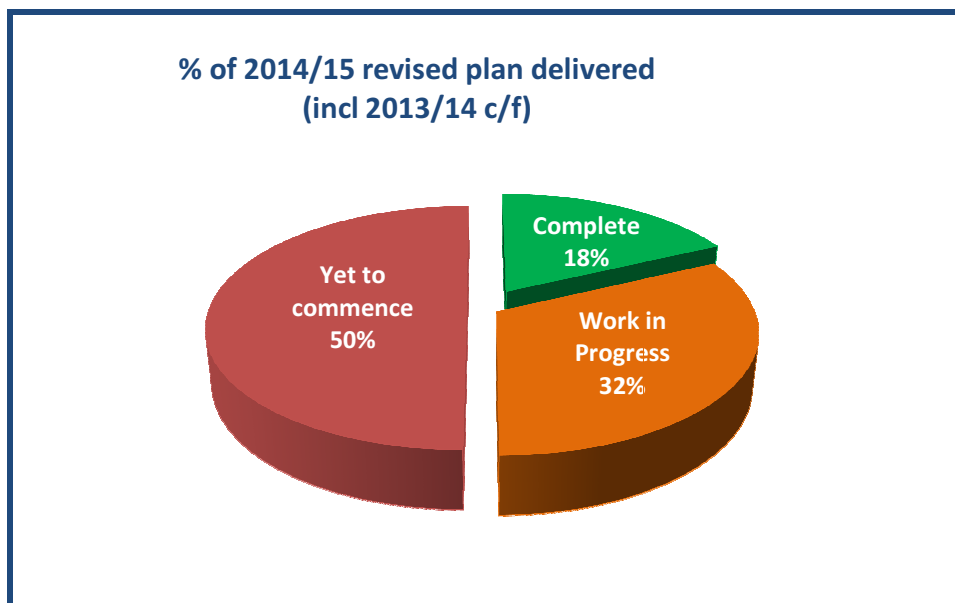
2. Purpose of report

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:

Substantial   A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified

Adequate   Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified

Limited   Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk

No   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

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3. Performance dashboard

% of 2014/15 revised plan delivered (incl 2013/14 c/f)

Complete 18%

Yet to commence 50%

Work in Progress 32%

% of positive customer response to 'Quality Appraisal Questionnaire'

Positive repsonse 96%

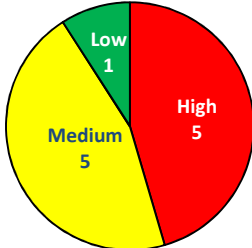| Compliance with Public Sector Internal Audit Standards / Local Government Application Note |
| --- |
| During 2013 – 14 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN. To provide independence to the process the self –assessment was reviewed by Hampshire County Council's Monitoring Officer to ensure it presented a true and fair view.

Independent analysis confirmed that the self-assessment provided *'a fair assessment of the internal audit activity'* |
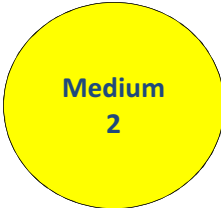
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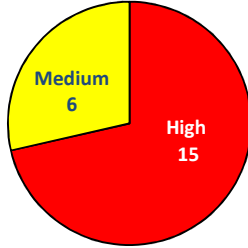Assurance through excellence
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4. Status of 'Live' Reports

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Heating Charges	17/12/12	Place	Adequate	Adequate	6 (1)	0 (0)	5 (1)	1 (0)
Cash Collection & Banking	21/01/13	Corporate Services	Limited	Adequate	12 (5)	0 (0)	9 (5)	3 (0)
Development Management	26/04/13	Place	Limited	Adequate	7 (4)	0 (0)	5 (4)	2 (0)
Payroll	22/05/13	Corporate Services	Adequate	Adequate	7 (2)	0 (0)	6 (1)	1 (1)
Quality Assurance	18/07/13	People	Adequate	Adequate	15 (9)	0 (0)	12 (6)	3 (3)
Neighbourhood wardens	22/10/13	People	Adequate	Adequate	7 (2)	0 (0)	6 (2)	1 (0)
School standards	25/10/13	People	Adequate	Adequate	5 (0)	0 (0)	0 (0)	5 (0)
Accounts Payable	30/01/14	Corporate Services	Substantial	Substantial	1 (0)	0 (0)	0 (0)	1 (0)
Inventory Management	06/02/14	Corporate Services	Adequate	Adequate	1 (0)	1 (0)	0 (0)	0 (0)
Application Support	06/03/14	Corporate Services	Adequate	Adequate	5 (0)	1 (0)	0 (0)	4 (0)
Sholing Technology College	13/03/14	People	Adequate	Adequate	17 (4)	1 (0)	3 (1)	13 (3)
Highways	04/03/14	Place	Adequate	Adequate	4 (0)	1 (0)	1 (0)	2 (0)
Payroll	04/04/14	Corporate Services	Adequate	Adequate	11 (4)	6 (1)	3 (2)	2 (1)
Transformation of City Services	24/04/14	Place	Adequate	Adequate	4 (1)	0 (0)	1 (1)	3 (0)
Bevois Town Primary School	02/05/14	People	Limited	Limited	20 (17)	2 (0)	10 (10)	8 (7)

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
St Monica Junior School	08/05/14	People	Limited	Adequate	28 (23)	3 (3)	21 (16)	4 (4)
Income Collection and Transactions	09/05/14	Corporate Services	Adequate	Adequate	6 (0)	0 (0)	4 (0)	2 (0)
Change control (IT)	27/05/14	Corporate Services	Adequate	Adequate	5 (0)	1 (0)	0 (0)	4 (0)
Family & children centres	27/06/14	People	Adequate	Adequate	2 (0)	2 (0)	0 (0)	0 (0)
Business Continuity & Emergency Planning	09/07/14	Place	Limited	Limited	11 (5)	8 (2)	3 (3)	0 (0)
Data Centre Security	16/07/14	Corporate Services	Limited	Limited	2 (0)	2 (0)	0 (0)	0 (0)
Information Governance	17/07/14	Corporate Services	Limited	Limited	21 (15)	7 (5)	9 (7)	5 (3)
Integrated Assessment–Data Performance	30/07/14	People	Adequate	Adequate	3 (3)	1 (1)	2 (2)	0 (0)
Reablement	30/07/14	People	Adequate	Adequate	13 (8)	10 (6)	2 (2)	1 (0)
Itchen Bridge	31/07/14	Place	Adequate	Adequate	10 (5)	4 (0)	4 (3)	2 (2)
Partnership arrangements	01/08/14	Corporate Services	Adequate	Adequate	6 (0)	6 (0)	0 (0)	0 (0)

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5. Executive Summaries of new reports published concluding a 'Limited' or 'No' assurance opinion

Business Continuity & Emergency Planning		
Directorate Sponsor: Place **Key Contacts:** Mitch Sanders, Head of Regulatory Services; Ian Collins, Emergency Planning & Business Continuity Manager **Final Report Issued:** 09 July 2014	**Assurance opinion:** Limited	**Management Actions:** Low 1 High 5 Medium 5

Summary of key observations:

Responsibilities for business continuity are appropriately assigned and understood at both a corporate and directorate level. A management board, with representatives from all directorates has recently been set up to enhance governance arrangements.

We confirmed that corporate requirements for business continuity plans are included in the Corporate Business Continuity Plan (CBCP). However, this plan is not available to all staff due to the confidential nature of some of its content. It was agreed with the Business Continuity Manager that guidance information would be more appropriate in a separate Business Continuity Policy which would be available to all staff.

Currently, Divisional/Service BCP's are held locally. There is no mechanism to enable the Business Continuity Manager to satisfy himself that such plans are in place, up to date, approved, tested and contain the appropriate information.

Review of the three Directorate BCPs and a sample of Divisional/Service BCPs from across all three Directorates found that many were out of date. In addition, key information had been omitted from many of the plans. Audit review of the same sample of plans found limited evidence of testing as required by the Corporate Business Continuity Plan.

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Information Governance		
Directorate Sponsor: Corporate Services **Key Contacts:** Mark Heath, Director of Corporate Services **Final Report Issued:** 17 July 2014	**Assurance opinion:** Limited	**Management Actions:** Medium 6 High 15

Summary of key observations:

The physical security of buildings was found to be good. Council offices are divided into those areas accessible to the public, and those for staff only. The staff only areas are protected by means of a Reception, id card accesses and keypad accesses. Access to information through IT systems is controlled through the use of user ids and passwords. Staff are prevented from downloading data onto insecure media through port control, and laptops used by staff for mobile working are encrypted. Staff requiring remote access to the City Council's data are given a secure RSA token

However, audit observations against three of the four key objectives reviewed demonstrated that the Council did not have embedded and functioning arrangements in place to support compliance with the legal and regulatory framework.

Two significant data breaches have been reported to the Information Commissioner's Office (ICO) in the recent past placing the Council at risk of a full compliance audit by the ICO. Additionally, despite clear policies and procedures, it was evident that not all breaches are reported internally, demonstrating a lack of training / awareness across the Council.

It was further evident that there was a lack of clarity in respect of roles and responsibilities for 'information' related activities within the Council. This was borne out through uncertainties following interviews with a sample of Information Asset Owners and Information Asset Administrators and the absence of up to date guidance or enforced training.

An e-learning package on Data Protection and Freedom of Information was launched in February 2013. However, our testing confirmed that less than 1.5% of staff have completed this. Consequently staff may not be aware of Data Protection principles, or what to do when incidents occur.

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Data Centre Security		
Directorate Sponsor: Corporate Services **Key Contacts:** Kevin Foley, Head of IT; Sean Dawtry, IT Strategy Manager **Final Report Issued:** 16 July 2014	**Assurance opinion:** Limited	**Management Actions:** Medium 2

Summary of key observations:

A prior review of the data centre (April 2012) highlighted over 300 people had access via their security cards to the data centre facility. This was promptly reduced to 47 once highlighted to management.

Testing as part of this review once again identified over 300 cards enabled access to the data centre. It was explained that a contributory cause was the buildings works which had been on-going since 2012. A cleansing exercise has now been undertaken reducing access to key personnel only (40 cards).

It was evident that there remains a lack of regular review of card access to the data centre

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6. Fraud and Irregularities

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

- 1 did not result in any further action; and
- 2 remain on-going.

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

7. Planning & Resourcing

The internal audit plan for 2014/15 was approved by the Council's Management Team and the Governance Committee in April 2014.

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

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8. Rolling Work Programme

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
2013-14 Carry Forward Reviews					
Partnership arrangements	✓	✓	✓	✓	01/08/14
Information Governance	✓	✓	✓	✓	17/07/14
Business Continuity & Emergency Planning	✓	✓	✓	✓	09/07/14
Change control	✓	✓	✓	✓	27/05/14
Across Schools Thematic Review 1 (payroll)	✓	✓	✓	✓	
Data and performance management – Support Services	✓	✓	✓	✓	30/07/14
Itchen Bridge	✓	✓	✓	✓	31/07/14
Delivery of statutory functions - Family Centres and children centres	✓	✓	✓	✓	27/06/14
Client Monies Services	✓	✓	✓	✓	
Reablement	✓	✓	✓	✓	30/07/14
Learning and Development	✓	✓	✓	✓	

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Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Fostering	✓	✓	✓	✓	
Public Health Contracts	✓	✓	✓	✓	
Public Health	✓	✓	✓	✓	06/06/14
2014-15 Reviews					
Corporate Cross Cutting					
Transformation					
Workforce Management					
Health and Safety	✓	✓	✓	✓	
Human Resources					
Procurement					
Corporate Governance					
Annual Governance Statement	✓	✓	✓	✓	N/A
Fraud Thematic Review – Housing Office Security	✓	✓	✓	✓	
Precautions against fraud	N/A	✓			

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Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Reactive Fraud	N/A	✓			
National Fraud Initiative	N/A	✓			
Effectiveness of the Role of Internal Audit	✓	✓	✓	✓	14/07/14
Financial Management					
Teachers Pensions - annual claim (TR17)	✓	✓			
Council Tax (including council tax support)					
Income Collection and Transactions					
Accounts Payable					
Financial Management (budget monitoring)					
Treasury Management					
Value Added Tax					
Bank account change/control					
ICT					
Network Management and Security					

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Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Capacity Planning and Management	✓	✓			
Capita development days / Capita Contract Management					
Data Centre Security	✓	✓	✓	✓	16/07/14
Corporate Priorities					
Building control	✓	✓	✓	✓	
General school reviews - TBC					
General school reviews – Maytree Infant and Nursery School	✓	✓	✓	✓	
Across Schools Thematic Review - Procurement Cards 14/15	✓	✓	✓	✓	
Across Schools Thematic Review – Governance 14/15					
Safeguarding - Protection and Court Teams (PACT)					
Respite schemes - children and adults					
Transport	✓	✓			
Integrated Commissioning Unit					
Contact scheme					

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Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
MASH - Multi Agency Safeguarding Hub					
MARP - Multi Agency Resource Panel	✓	✓			
SFVS - School Financial Value Standards	✓	✓	✓	N/A	N/A
School Capital programme	✓	✓			
Street Lighting PFI	✓				
Housing Operation Transformation					
Housing Capital Programme					
Housing stock control					
Housing allocation policy					
People Directorate Transformation Programme					
City Deal					
Safeguarding (Adults)					
Adoption					
Better Care Fund					

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Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Delivery of statutory functions - LADO - Local Authority Duty Officer					
Families Matters Governance	✓	✓			
Families Matters grant claims					
Financial Assessment Process	✓				
Contribution and charging policies					
Direct payments	✓	✓	✓		
PARIS (Advice role)	✓	✓			
Reablement					
Local Safeguarding Children's Board	✓	✓	✓		
Delivery of statutory functions - EDT - Emergency Duty team					
Public Health Contracts					
Public Health					
Extra Care Housing					
Public Health Grant					

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Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Miscellaneous Reviews					
BEEMS	✓	✓			
PUSH	✓	✓	✓	✓	11/07/14

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