

Internal Audit Progress Report

March 2015

Southampton City Council



**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

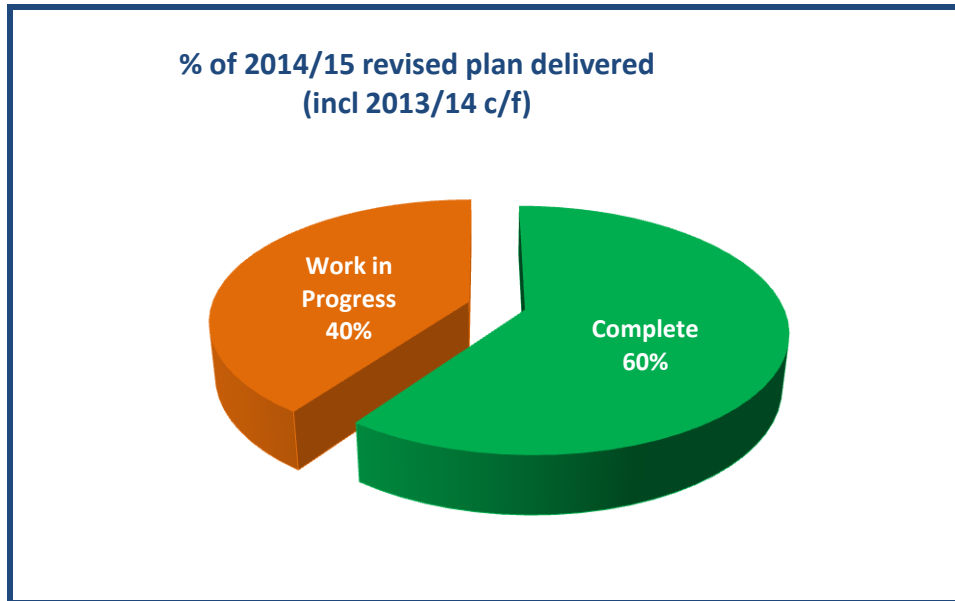
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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:

- | | |
|--------------------|--|
| 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 |

3. Performance dashboard



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.


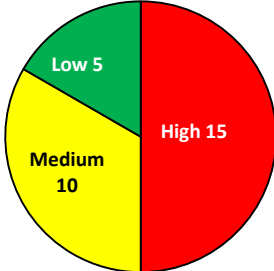
Independent analysis confirmed that the self-assessment provided ‘*a fair assessment of the internal audit activity*’


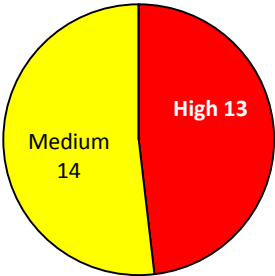
4. Status of 'Live' Reports

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
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)	6 (4)	1 (0)
Quality Assurance	18/07/13	People	Adequate	Adequate	15 (9)	0 (0)	13 (7)	2 (2)
Neighbourhood wardens	22/10/13	People	Adequate	Adequate	7 (2)	0 (0)	6 (2)	1 (0)
Payroll	04/04/14	Corporate Services	Adequate	Adequate	11 (4)	0 (0)	6 (3)	5 (1)
Bevois Town Primary School	02/05/14	People	Limited	Adequate	20 (17)	0 (0)	18 (17)	2 (0)
St Monica Junior School	08/05/14	People	Limited	Adequate	28 (23)	0 (0)	20 (15)	8 (8)
Income Collection and Transactions	09/05/14	Corporate Services	Adequate	Adequate	6 (0)	0 (0)	4 (0)	2 (0)
Business Continuity & Emergency Planning	09/07/14	Place	Limited	Limited	11 (5)	2 (0)	5 (5)	4 (0)
Data Centre Security	16/07/14	Corporate Services	Limited	Limited	2 (0)	0 (0)	0 (0)	2 (0)
Information Governance	17/07/14	Corporate Services	Limited	Limited	21 (15)	0 (0)	15 (11)	6 (4)
Integrated Assessment–Data Performance	30/07/14	People	Adequate	Adequate	3 (3)	1 (1)	2 (2)	0 (0)
Itchen Bridge	31/07/14	Place	Adequate	Adequate	10 (5)	0 (0)	8 (5)	2 (0)
Partnership arrangements	01/08/14	Corporate Services	Adequate	Adequate	6 (0)	1 (0)	1 (0)	4 (0)
Health and Safety	22/09/14	Corporate Services	Limited	Limited	16 (14)	2 (1)	6 (5)	8 (8)

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Building Control	07/10/14	Place	Adequate	Adequate	3 (1)	0 (0)	1 (0)	2 (1)
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)
Public Health Contracts	20/11/14	People	Adequate	Adequate	2 (0)	0 (0)	0 (0)	2 (0)
Fostering	09/01/15	People	Adequate	Adequate	10 (0)	0 (0)	7 (0)	3 (0)
Capacity Planning and Management	26/01/15	Corporate Services	Adequate	Adequate	2 (0)	1 (0)	1 (0)	0 (0)
Delivery of statutory functions - LADO – Local Authority Duty Officer	04/03/15	People	Adequate	Adequate	4 (3)	2 (1)	2 (2)	0 (0)
Client Monies Service	09/03/15	People	Limited	Adequate	30 (16)	0 (0)	24 (15)	6 (1)
Redbridge Community School	02/04/15	People	N/A	N/A	6 (6)	4 (4)	2 (2)	0 (0)
Integrated Family Assessment & Intervention Service – Contact Scheme	02/04/15	People	Limited	Limited	27 (13)	21 (10)	6 (3)	0 (0)

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

Client Monies Service										
<p>Directorate Sponsor: People</p> <p>Key Contacts: Prisca Mascerenhas (Business Manager), Dave Cuerden (Finance Manager), Adele Whitear (Principle Accountant)</p> <p>Final Report Issued: 09 March 2015</p>	<p>Assurance opinion:</p> <div style="text-align: center;">  <p>Limited</p> </div>	<p>Management Actions:</p> <div style="text-align: center;">  <table border="1"> <thead> <tr> <th>Risk Level</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>15</td> </tr> <tr> <td>Medium</td> <td>10</td> </tr> <tr> <td>Low</td> <td>5</td> </tr> </tbody> </table> </div>	Risk Level	Count	High	15	Medium	10	Low	5
Risk Level	Count									
High	15									
Medium	10									
Low	5									
<p>Summary of key observations:</p> <p>The Client Money Service (CMS) team are responsible for approx. 400 cases. At the time of the audit 40 cases (10%) were for clients holding in excess of £16k. There is an agreement with Hampshire County Council to deal with cases exceeding £16k however these are not being referred promptly therefore the agreement is not being used to its full potential or vfm achieved. As a consequence the workload of the CMS team is unnecessarily overburdened.</p> <p>The CMS team are taking legal responsibility to manage client’s affairs but due to workloads are doing so on a reactive basis and not necessarily to the required extent or on a timely basis. There is no facility to reconcile each case individually, or to easily identify cases where there has been no financial movement and require attention. Summary level reconciliations take place but this does not confirm each client has received and paid the appropriate amounts.</p> <p>Testing identified payments from clients accounts are not always adequately supported with appropriate paperwork and financial changes in circumstance are not always promptly actioned.</p>										

Integrated Family Assessment & Intervention Service (IFAIS) – Facilitated Contact Scheme		
<p>Directorate Sponsor: People</p> <p>Key Contacts: Therese Leavy (Interim Head of Service), Claire Robinson (Service Manager)</p> <p>Final Report Issued: 02 April 2015</p>	<p>Assurance opinion:</p> <div style="text-align: center;">  <p>Limited</p> </div>	<p>Management Actions:</p> <div style="text-align: center;">  </div>
<p>Summary of key observations:</p> <p>Discussions with key staff confirmed that responsibilities are clearly defined and understood, however, there are no documented standard operating procedures in place.</p> <p>Review of staff productivity figures found large fluctuations and highlighted that some staff are potentially spending a large proportion of their time on activities such as administration and travel. In addition, testing found that the first contact session was more than two weeks (being the service KPI) after the date of referral in a majority of cases.</p> <p>A signed 'Contract of expectation for supervised contact' is held for all clients; however, there are uncertainties and inconsistencies with regard retention and scanning on to the system.</p> <p>There is no consistent approach to the review of contact arrangements to ensure they remain appropriate and the review of cases is not formally documented.</p>		

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	01.04.14 – 31.03.15
Part 2 Requirements - Fraud	
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	3 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	140 days*
Total number of fraud cases investigated	5**

*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.'*

Fraud Grant Funding

The DCLG have made available £16m to assist Councils in developing innovative and holistic initiatives to tackle the fight against fraud.

During the summer local authorities were invited to submit proposals for funding that would result in real financial savings through effective counter fraud activities. A successful bid from the Southern Internal Audit Partnership (one of only 59 approved from 164 applications) has resulted in funding of £72,000 being awarded to support initiatives in respect of fraud detection and prevention.

Funding acquired will contribute to the development of a generic fraud risk assessment framework to inform and educate of key fraud risks. This assessment will inform a programme of proactive fraud initiatives moving forward, targeting demonstrably high risk areas.

This will be supported by the use of data analytics to more strategically analyse higher risk areas in the identification and investigation of data giving rise to irregular activity or conflicts with other sources of information.

The legacy from funding will strengthen measures for both fraud detection and prevention through provision of a clear understanding and assessment of fraud threats and the establishment of data analytics as preventative measures to combat fraud through the real time sharing and matching of data and fraud intelligence.

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

8. Rolling Work Programme

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft 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)	✓	✓	✓	✓		12/11/14
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	✓	✓	✓	✓		09/03/15
Reablement	✓	✓	✓	✓		30/07/14
Learning and Development	✓	✓	✓	✓		05/09/14

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
Fostering	✓	✓	✓	✓		09/01/15
Public Health Contracts	✓	✓	✓	✓		20/11/14
Public Health	✓	✓	✓	✓		06/06/14
2014-15 Reviews						
Corporate Cross Cutting						
Transformation	✓	✓	✓	N/A		N/A
Health and Safety	✓	✓	✓	✓		22/09/14
Human Resources	✓	✓	✓	✓		
Procurement	✓	✓	✓	✓		02/02/15
Corporate Governance						
Annual Governance Statement	✓	✓	✓	✓		N/A
Fraud Thematic Review – Housing Office Security/Cash Handling	✓	✓	✓	✓		23/10/14
Fraud Thematic Review – Imprest / Decorating Voucher Scheme	✓	✓	✓	✓		10/12/14
Precautions against fraud	N/A	✓	✓	N/A		N/A

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
Reactive Fraud	N/A	✓	N/A	N/A		N/A
National Fraud Initiative	N/A	✓	N/A	N/A		N/A
Effectiveness of the Role of Internal Audit	✓	✓	✓	✓		14/07/14
Financial Management						
Teachers Pensions - annual claim (TR17)	✓	✓	✓	N/A		02/04/15
Council Tax (including council tax support)	✓	✓	✓	✓		
Income Collection and Transactions	✓	✓				
Accounts Receivable	✓	✓	✓			
Financial Management (budget monitoring)	✓	✓				
Treasury Management	✓	✓				
Value Added Tax	✓	✓	✓	✓		
Bank account change/control	✓	✓	✓			
ICT						
Capacity Planning and Management	✓	✓	✓	✓		26/01/15

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
Capita development days / Capita Contract Management	✓	✓				
Data Centre Security	✓	✓	✓	✓		16/07/14
Corporate Priorities						
Building control	✓	✓	✓	✓		07/10/14
General school reviews – Maytree Infant and Nursery School	✓	✓	✓	✓		12/11/14
General school reviews – Redbridge Community School	✓	✓	✓	✓		02/04/15
Across Schools Thematic Review - Procurement Cards 14/15	✓	✓	✓	✓		12/11/14
Across Schools Thematic Review – Governance 14/15	✓	✓	✓			
Transport	✓	✓	✓	✓		
Integrated Commissioning Unit	✓	✓				
Contact scheme	✓	✓	✓	✓		
MASH - Multi Agency Safeguarding Hub	✓	✓	✓	✓		
MARP - Multi Agency Resource Panel	✓	✓	✓	✓		
SFVS - School Financial Value Standards	✓	✓	✓	N/A		N/A

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
School Capital programme	✓	✓	✓	✓		
Street Lighting PFI	✓	✓	✓	✓		27/10/14
Housing - stock control	✓	✓	✓			
Housing allocation policy	✓	✓	✓			
City Deal	✓					
Better Care Fund	✓	✓	✓			
Delivery of statutory functions - LADO – Local Authority Duty Officer	✓	✓	✓	✓		04/03/15
Families Matters Governance	✓	✓	✓	✓		
Families Matters grant claims	N/A	✓	✓	N/A		N/A
Financial Assessment Process	✓	✓	✓	✓		
Contribution and charging policies	✓	✓	✓	✓		
Direct payments	✓	✓	✓	✓		
PARIS (Advice role)	✓	✓	✓	N/A		N/A
Local Safeguarding Children’s Board	✓	✓	✓	✓		13/11/14

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Delivery of statutory functions - EDT – Emergency Duty team	✓	✓	✓	✓	
Public Health	✓	✓			
Miscellaneous Reviews					
BEEMS	✓	✓	✓	N/A	N/A
PUSH	✓	✓	✓	✓	11/07/14