

Internal Audit Progress Report

August 2015

Southampton City Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents:

| | | |
|----|---|---------|
| 1. | Role of Internal Audit | 3 |
| 2. | Purpose of report | 4 |
| 3. | Performance dashboard | 5 |
| 4. | Status of 'live' reports | 6 – 7 |
| 5. | Executive summaries 'Limited' and 'No' assurance opinions | 8 – 9 |
| 6. | Fraud and Irregularities | 10 |
| 7. | Planning and resourcing | 11 |
| 8. | Rolling work programme | 11 - 17 |

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

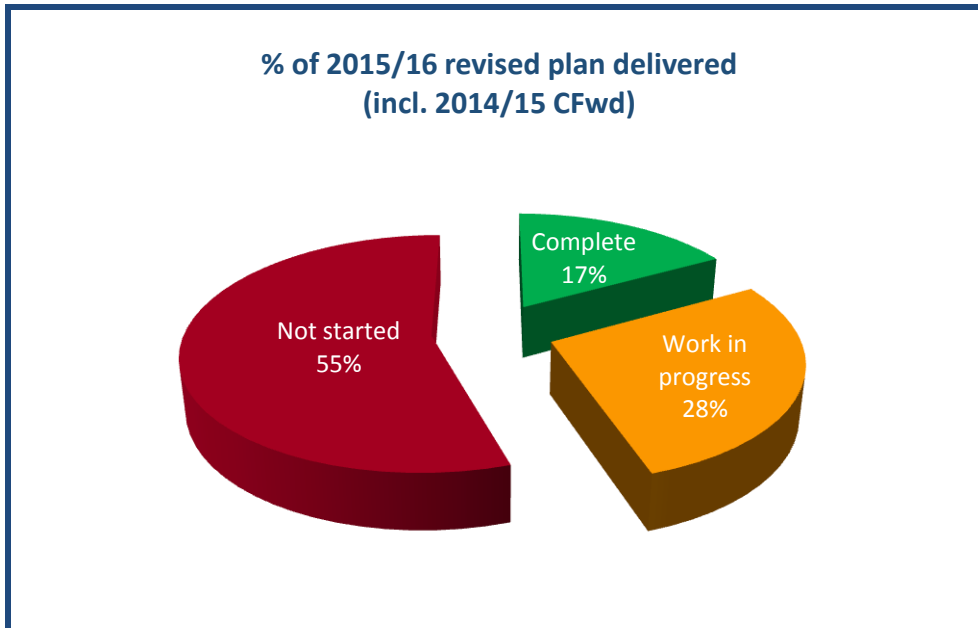
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:


- 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




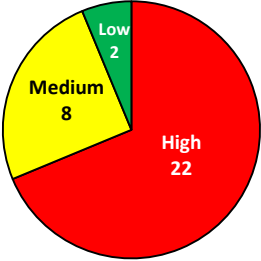
| Compliance with Public Sector Internal Audit Standards / Local Government Application Note | |
|---|---|
|  | <p>During 2015 – 16 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN.</p> <p>An external assessment is to be undertaken by the Institute of Internal Auditors (IIA) in September 2015. In accordance with the Internal Audit Charter, outcomes of the external assessment will be reported to Governance Committee (December 2015).</p> |


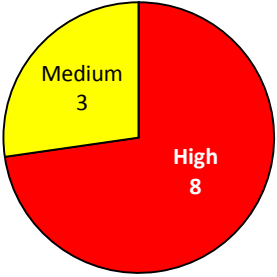
4. Status of 'Live' Reports

| 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) | 2 (2) | 13 (7) | 0 (0) |
| Payroll | 04/04/14 | Corporate Services | Adequate | Adequate | 11 (4) | 0 (0) | 6 (3) | 5 (1) |
| 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) | 0 (0) | 10 (5) | 1 (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) | 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) |
| Public Health Contracts | 20/11/14 | People | Adequate | Adequate | 2 (0) | 0 (0) | 0 (0) | 2 (0) |
| Capacity Planning and Management | 26/01/15 | Corporate Services | Adequate | Adequate | 2 (0) | 0 (0) | 1 (0) | 1 (0) |
| Delivery of statutory functions - LADO – Local Authority Duty Officer | 04/03/15 | People | Adequate | Adequate | 4 (3) | 0 (0) | 2 (2) | 2 (1) |

| Audit title | Report date | Directorate Sponsor | Audit Assurance | | Management Actions (of which are 'high' priority) | | | |
|--|-------------|---------------------|-----------------|--------------|--|---------|---------|---------|
| | | | Original | Current | Reported | Pending | Cleared | Overdue |
| 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) | 2 (0) | 4 (1) |
| Delivery of statutory functions - EDT – Emergency Duty team | 30/06/15 | People | Adequate | Adequate | 8(3) | 0(0) | 1(0) | 7 (3) |
| Housing allocation policy | 03/07/15 | People | Adequate | Adequate | 6(0) | 6(0) | 0(0) | 0 (0) |
| City Deal | 09/07/15 | Corporate Services | Adequate | Adequate | 5(3) | 1 (0) | 3 (3) | 1 (0) |
| Financial Assessment Process | 13/07/15 | People | Limited | Limited | 32(22) | 15(9) | 17(13) | 1(1) |
| Contribution and charging policies | 13/07/15 | People | Limited | Limited | 11 (8) | 4 (1) | 7(7) | 0 (0) |
| Treasury Management | 21/07/15 | Corporate Services | Substantial | Substantial | 1 (0) | 1 (0) | 0 (0) | 0 (0) |
| Housing - stock control | 30/07/15 | People | No Assurance | No Assurance | 44(11) | 24(0) | 20 (11) | 0 (0) |

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

| Financial Assessment Process | | | | | | | | | | |
|--|--|--|------------|-------|------|----|--------|---|-----|---|
| <p>Directorate Sponsor: People</p> <p>Key Contacts: Mark Howell (Head of Adult Services), Andrew Armour (Benefits Service Manager), Prisca Mascerenhas (Business Manager), Ricky Rossiter (Service Manager)</p> <p>Final Report Issued: 13 July 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"> <caption>Management Actions Risk Distribution</caption> <thead> <tr> <th>Risk Level</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>22</td> </tr> <tr> <td>Medium</td> <td>8</td> </tr> <tr> <td>Low</td> <td>2</td> </tr> </tbody> </table> </div> | Risk Level | Count | High | 22 | Medium | 8 | Low | 2 |
| Risk Level | Count | | | | | | | | | |
| High | 22 | | | | | | | | | |
| Medium | 8 | | | | | | | | | |
| Low | 2 | | | | | | | | | |
| <p>Summary of key observations:</p> <p>The Financial and Benefits Team (FAB) is part of Benefits Services and is subject to a contract between SCC and Capita. Little detail exists in the contract outcome specification for FAB. A draft SLA is in existence but this does not form part of the change control process for inclusion in the contract. The proposed SLA specifies timescales for both SCC and Capita however the timescales are consistently exceeded by both parties.</p> <p>The Care Act will introduce major changes from April 2016 and the Council will have greater discretion over charging policies from April 2015, however, at the time of the review policies had not been determined therefore FAB did not know what changes would be introduced and the impact upon the team. There remains a lack of clarity & ownership for identifying, actioning and communicating legislative changes to charging policies</p> <p>Information required for the FAB assessments is not always readily available when care assessments are requested and the FAB team often need to search clients records and request further information from the care manager which causes delays in the process which can result in a cost to the Council as clients cannot be charged until an assessment has been completed.</p> | | | | | | | | | | |

| Contribution and Charging Policies | | | | | | | | |
|--|--|---|----------|-------|------|---|--------|---|
| <p>Directorate Sponsor: People</p> <p>Key Contacts: Mark Howell (Head of Adult Services), Andrew Armour (Benefits Service Manager), Prisca Mascerenhas (Business Manager), Jeanette Clarke (Policy Development Manager) Stephanie Ramsey (Director of Quality and Integration))</p> <p>Final Report Issued: 13 July 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"> <caption>Management Actions Data</caption> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>8</td> </tr> <tr> <td>Medium</td> <td>3</td> </tr> </tbody> </table> </div> | Category | Count | High | 8 | Medium | 3 |
| Category | Count | | | | | | | |
| High | 8 | | | | | | | |
| Medium | 3 | | | | | | | |
| <p>Summary of key observations:</p> <p>This was a follow-up review of a ‘no-assurance’ report issued in July 2013. The review found positive improvements in the way changes to billing files (outside of PARIS) were recorded and the clarity of information on invoices leading to an improved customer experience.</p> <p>A procedure for raising care interventions exists but has not been reviewed for some time and contains no timeframes. A draft service level agreement (SLA) between Adult Health and Social Care (AHSC) and Capita has been created to cover financial assessments. This document contains timeframes for the raising of care interventions and recording of financial assessments, however, has yet to be formally agreed</p> <p>Testing highlighted that care interventions are not consistently raised or closed in a timely manner. This impacts on payments to providers and invoicing of clients for contributions, creating late/ over payments. There are also delays in requesting and carrying out financial assessments. Various factors contribute to this, including:</p> <ul style="list-style-type: none"> • lack of information from care managers; • delays by families needed to be present at visits; and • delays by the FAB team in recording the assessment in Paris. | | | | | | | | |

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 – 21.08.15 |
|---|---------------------|
| 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 | 4 fte* |
| Total amount of time spent by the authority on the investigation and prosecution of fraud | 33 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 | | | |
| 2014-15 Carry Forward Reviews | | | | | | | |
| Council Tax (including council tax support) | ✓ | ✓ | ✓ | ✓ | 26.05.2015 | Adequate | |
| Income Collection and Transactions | ✓ | ✓ | ✓ | ✓ | | | |
| Accounts Receivable | ✓ | ✓ | ✓ | ✓ | | | |
| Treasury Management | ✓ | ✓ | ✓ | ✓ | 21.07.2015 | Substantial | |
| Bank account change/control | ✓ | ✓ | ✓ | ✓ | | | |
| Capita development days / Capita Contract Management | ✓ | ✓ | ✓ | ✓ | | | |

| Audit title | Audit Progress | | | | | Final report issued | Audit Opinion |
|---|----------------|---------------------|--------------------|---------------------|------------|---------------------|---------------|
| | TOR issued | Fieldwork commenced | Fieldwork complete | Draft report issued | | | |
| Across Schools Thematic Review – Governance 14/15 | ✓ | ✓ | ✓ | ✓ | | | |
| Transport | ✓ | ✓ | ✓ | ✓ | 15.06.2015 | Adequate | |
| Integrated Commissioning Unit | ✓ | ✓ | ✓ | | | | |
| MARP - Multi Agency Resource Panel | ✓ | ✓ | ✓ | ✓ | | | |
| School Capital programme | ✓ | ✓ | ✓ | ✓ | | | |
| 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 | |
| Direct payments | ✓ | ✓ | ✓ | ✓ | | | |
| Delivery of statutory functions - EDT – Emergency Duty team | ✓ | ✓ | ✓ | ✓ | 30.06.2015 | Adequate | |
| Public Health | ✓ | ✓ | | | | | |

| Audit title | Audit Progress | | | | | | Audit Opinion |
|--|----------------|---------------------|--------------------|---------------------|---------------------|--|---------------|
| | TOR issued | Fieldwork commenced | Fieldwork complete | Draft report issued | Final report issued | | |
| 2015-16 Reviews | | | | | | | |
| Corporate Cross Cutting | | | | | | | |
| Transformation | | | | | | | |
| Business Continuity and Emergency Planning | | | | | | | |
| Health and Safety | | | | | | | |
| Human Resources - recruitment | | | | | | | |
| Procurement | | | | | | | |
| Contract Management | | | | | | | |
| Repairs and maintenance | | | | | | | |
| Strategic Service Partnership | | | | | | | |
| Fleet Management | ✓ | | | | | | |
| Human resources - Pay and allowances | ✓ | ✓ | | | | | |
| Human resources - policies and procedures | | | | | | | |
| Corporate Governance | | | | | | | |

| Audit title | Audit Progress | | | | | Final report issued | Audit Opinion |
|---|----------------|---------------------|--------------------|---------------------|------------|---------------------|---------------|
| | TOR issued | Fieldwork commenced | Fieldwork complete | Draft report issued | | | |
| Annual Governance Statement (Assurance Statement) | - | ✓ | ✓ | ✓ | 08.05.2015 | Adequate | |
| Proactive Fraud Review(s) | - | ✓ | | | | | |
| National Fraud Initiative | - | ✓ | | | | | |
| Financial management | | | | | | | |
| Housing rents and Debt Management | | | | | | | |
| Income Collection and Transactions | | | | | | | |
| Accounts Payable | | | | | | | |
| Financial Management (budget monitoring) | ✓ | ✓ | ✓ | | | | |
| Main Accounting System | | | | | | | |
| Payroll | | | | | | | |
| IT | | | | | | | |
| Internet/e-mail | | | | | | | |
| IT governance | ✓ | | | | | | |
| IT disaster recovery | ✓ | ✓ | | | | | |

| Audit title | Audit Progress | | | | | Final report issued | Audit Opinion |
|--|----------------|---------------------|--------------------|---------------------|---|---------------------|---------------|
| | TOR issued | Fieldwork commenced | Fieldwork complete | Draft report issued | | | |
| Telecommunications | | | | | | | |
| Strategic Objectives | | | | | | | |
| Arts and Heritage | | | | | | | |
| Across Schools Thematic Review 1 – Compliance with Procurement Rules | ✓ | ✓ | | | | | |
| Across school thematic review 2 - Payroll | | | | | | | |
| Establishment reviews – Holecroft | | | | | | | |
| Establishment reviews – Glenlee | | | | | | | |
| General school reviews | | | | | | | |
| Safeguarding - Protection and Court Teams (PACT) | | | | | | | |
| Respite schemes - children and adults | | | | | | | |
| Integrated Commissioning Unit | | | | | | | |
| SFVS - School Financial Value Standard | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | N/A |
| Safeguarding (Children) Assurance mapping | | | | | | | |
| Highways | | | | | | | |

| Audit title | Audit Progress | | | | | Audit Opinion |
|--|----------------|---------------------|--------------------|---------------------|---------------------|---------------|
| | TOR issued | Fieldwork commenced | Fieldwork complete | Draft report issued | Final report issued | |
| Housing Depot Reviews | | | | | | |
| Leisure - contract management | | | | | | |
| HMO Licensing | ✓ | ✓ | | | | |
| Adoption | | | | | | |
| Better Care Fund | | | | | | |
| Care Act | | | | | | |
| Families Matters governance review | | | | | | |
| Think Local, Act Personal - (Personalisation - support planning) | | | | | | |
| Safeguarding - Adults | ✓ | | | | | |
| Contribution and charging policies | | | | | | |
| Health and Wellbeing Board | | | | | | |
| Direct payments | | | | | | |
| Quality assurance | | | | | | |
| Families Matters grant claims | | | | | | |

| Audit title | Audit Progress | | | | | Final report issued | Audit Opinion |
|---------------------------------------|----------------|---------------------|--------------------|---------------------|------------|---------------------|---------------|
| | TOR issued | Fieldwork commenced | Fieldwork complete | Draft report issued | | | |
| Continuing Healthcare | | | | | | | |
| DOLS | | | | | | | |
| PUSH | ✓ | ✓ | ✓ | ✓ | 01.06.2015 | Substantial | |
| Bitterne Sixth Form – Capital Project | ✓ | ✓ | ✓ | | | | |