

Internal Audit Progress Report

March 2016

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 - 8
5.	Executive summaries 'Limited' and 'No' assurance opinions	9 - 10
6.	Fraud and Irregularities	11
7.	Planning and resourcing	12
8.	Rolling work programme	12 - 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’ 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

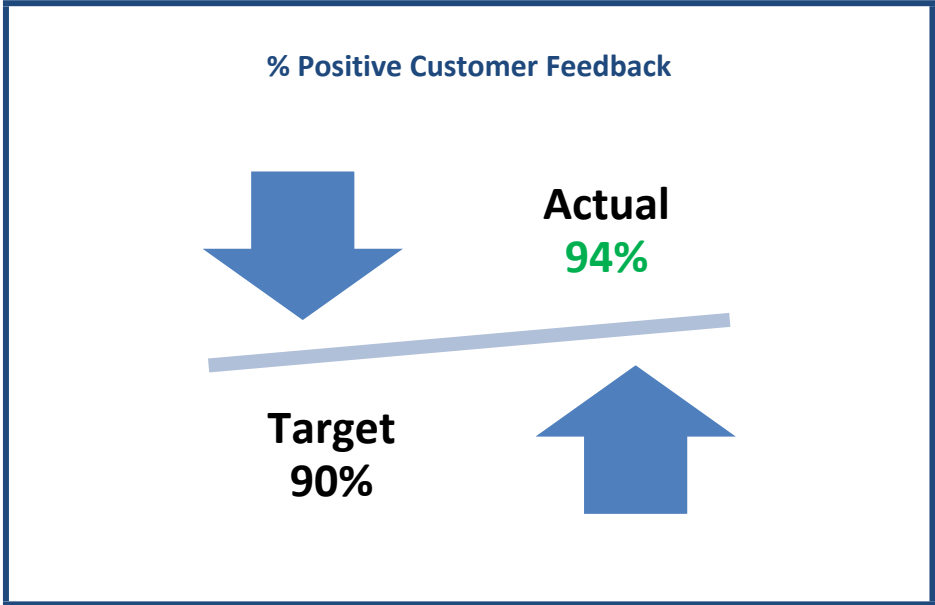
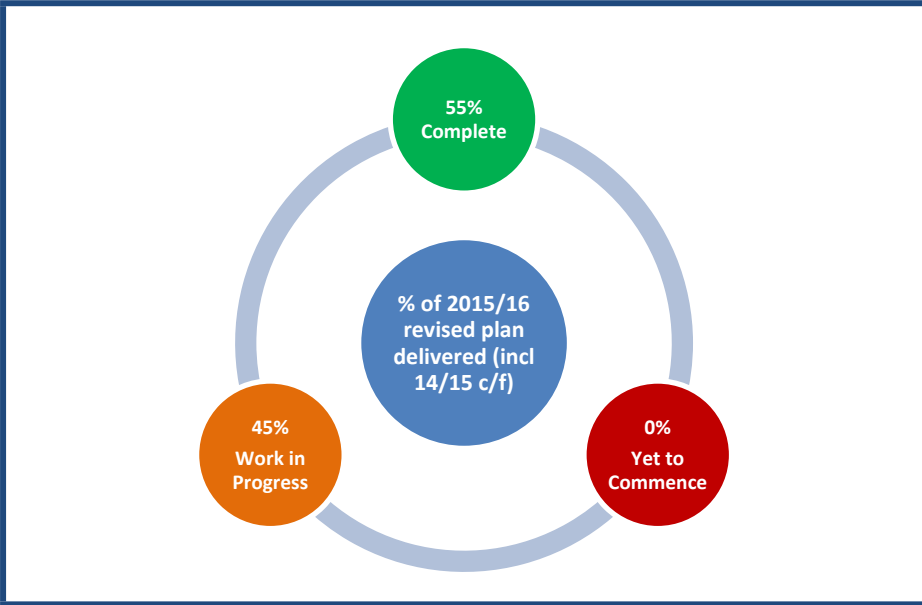
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- 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 of 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



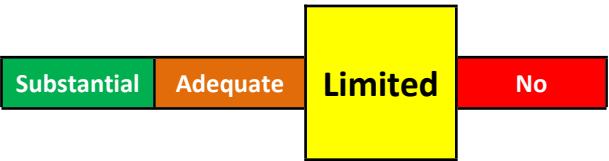
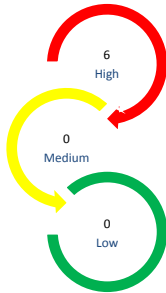
Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).</i></p>

4. Status of 'Live' Reports

Audit Review	Report Date	Directorate Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Quality Assurance	18/07/13	People	Adequate	15 (9)	0 (0)	0 (0)	13 (7)	2 (2)
Payroll	04/04/14	Corporate Services	Adequate	11 (4)	0 (0)	0 (0)	7 (4)	4 (0)
Income Collection and Transactions	09/05/14	Corporate Services	Adequate	6 (0)	0 (0)	0 (0)	5 (0)	1 (0)
Information Governance	17/07/14	Corporate Services	Limited	21 (15)	0 (0)	0 (0)	17 (13)	4 (2)
Integrated Assessment–Data Performance	30/07/14	People	Adequate	3 (3)	0 (0)	0 (0)	2 (2)	1 (1)
Itchen Bridge	31/07/14	Place	Adequate	10 (5)	0 (0)	0 (0)	9 (5)	1 (0)
Health and Safety	22/09/14	Corporate Services	Limited	16 (14)	0 (0)	0 (0)	10 (8)	6 (6)
Across Schools Thematic Review (Payroll)	12/11/14	People	Limited	9 (0)	0 (0)	0 (0)	8 (0)	1 (0)
Client Monies Service	09/03/15	People	Limited	30 (16)	0 (0)	0 (0)	27 (16)	3 (0)
Transport	15/06/15	People	Adequate	8 (1)	0 (0)	0 (0)	6 (1)	2 (0)

Audit Review	Report Date	Directorate Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Housing allocation policy	03/07/15	People	Adequate	6 (0)	0 (0)	0 (0)	1 (0)	5 (0)
Financial Assessment Process	13/07/15	People	Limited	32 (22)	0 (0)	2 (0)	28(21)	2 (1)
Contribution and charging policies	13/07/15	People	Limited	11 (8)	0 (0)	0 (0)	10 (8)	1 (0)
Housing - stock control	30/07/15	People	No	44 (11)	0 (0)	0 (0)	37 (11)	7 (0)
Accounts Receivable/Debt Management	08/10/15	Corporate Services	Adequate	8 (1)	0 (0)	1 (0)	7 (1)	0 (0)
Human resources - Pay and allowances	13/10/15	Corporate Services	Adequate	4 (2)	0 (0)	2 (1)	2 (1)	0 (0)
Establishment reviews – Glenlee	26/01/2016	People	Limited	17 (15)	0 (0)	0 (0)	14 (13)	3 (2)
IT disaster recovery	22/02/2016	Corporate Services	Limited	12 (3)	0 (0)	5 (2)	7 (1)	0 (0)
Across Schools Thematic Review - Payroll	09/03/2016	Children & Families	Adequate	4 (1)	0 (0)	4 (1)	0 (0)	0 (0)
Human Resources – sickness monitoring	18/03/2016	Corporate Services	Adequate	15 (10)	0 (0)	3 (0)	12 (10)	0 (0)
HMO Licencing	22/03/2016	Transactions & Universal Services	Adequate	14 (8)	0 (0)	13 (7)	1 (1)	0 (0)

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

Multi Agency Resource Panel (MARP)		
<p>Directorate Sponsor: Chief Executive</p> <p>Key Contacts: Kim Drake – Director of Childrens, Stephanie Ramsey – Director of Quality & Integration, Robert South – Interim Principle Officer for Looked After Children & Resources</p> <p>Final Report Issued: 06 January 2016</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>The Multi Agency Resource Panel (MARP) considers recommendations received for the placement of children and young people in care and/or with complex needs. The panel consists of representatives from Health, Education and Social Care. The aim of MARP is to ensure that the needs of children and young people are appropriately considered in placement decisions, with decisions documented to enable transparency and accountability.</p> <p>‘Transition MARP’ considers the cases for 14 – 18 year olds and the plans in place for transition from Children’s to Adult Social Care and therefore requires the attendance of all relevant parties, however attendance by a suitable representative from Adult Services was inconsistent, thereby potentially delaying decisions.</p> <p>The Integrated Commissioning Unit (ICU) are responsible for undertaking provider checks prior to placements being made ensuring a suitable contract or agreement is in place with the provider. At the time of the review only 10/58 contracts or agreements were in place for the cases tested. Checks to ensure that providers had a suitable Ofsted rating were being carried out however, other checks, such as financial checks, were not undertaken</p> <p>Invoices for care packages are received and paid for by the Council, generally against social care budgets, with an apportioned amount cross charged to Education or invoiced to Health however, at the time of the review, no invoices had been raised since April 2014 resulting in lost income to the City Council.</p> <p>All management actions to mitigate identified risks have been actioned.</p>		

IT Disaster Recovery		
<p>Directorate Sponsor: Chief Financial Officer</p> <p>Key Contacts: Kevin Foley – Head of IT</p> <p>Final Report Issued: 22 February 2016</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>The systems and associated data which are included in the recovery processes delivered by Capita are documented in a Disaster Recovery Invocation Manual. However, at the time of the review, this was out of date and some systems detailed in the plan were no longer covered by the DR process. Six systems had been removed from the plan in 2012, supported by an approved contract change document; however there was no evidence that the proposal or decision to remove the systems from the DR plan had been considered by CMT or the relevant system owners. In addition, there are no plans to revisit systems excluded from the DR plans to assess if their exclusion was still appropriate.</p> <p>Data included in the DR provision is cloned every 6 hours from the Civic Centre Data Centre to equipment located offsite. The review found incidences where no data had been backed up/cloned in July 2015 and another occurrence where the cloning process was not operating correctly, increasing the risk of data loss in the event of system failure and subsequent recovery. There were also physical security issues with the offsite location.</p> <p>No DR testing had taken place for almost three years. We could not find evidence of consideration, completion and follow up of the improvements and recommendations identified during the exercises undertaken in 2010, 2011 and 2012.</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	01.04.2015 – 13.03.2016
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	63 days
Total number of fraud cases investigated	2 **

*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 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 Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
2015-16 Reviews (incl. 2014-15 Carry Forward)									
Council Tax (including council tax support)		✓	✓	✓	✓	✓	Adequate	✓	
Income Collection and Transactions		✓	✓	✓	✓	✓	Substantial	✓	
Accounts Receivable/Debt Management		✓	✓	✓	✓	✓	Adequate	✓	
Treasury Management		✓	✓	✓	✓	✓	Substantial	✓	
Bank account control and change		✓	✓	✓	✓	✓	Substantial	✓	
Capita development days / Capita Contract Management		✓	✓	✓	✓	✓	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Across Schools Thematic Review – Governance 14/15		✓	✓	✓	✓	✓	Limited	✓	
Transport		✓	✓	✓	✓	✓	Adequate	✓	
School Capital programme		✓	✓	✓	✓	✓	Adequate	✓	
Housing - stock control		✓	✓	✓	✓	✓	No	✓	
Housing allocation policy		✓	✓	✓	✓	✓	Adequate	✓	
City Deal		✓	✓	✓	✓	✓	Adequate	✓	
Better Care Fund		✓	✓	✓	✓	✓	n/a	✓	
Financial Assessment Process		✓	✓	✓	✓	✓	Limited	✓	
Contribution and charging policies		✓	✓	✓	✓	✓	Limited	✓	
Delivery of statutory functions - EDT – Emergency Duty team		✓	✓	✓	✓	✓	Adequate	✓	
Corporate Cross Cutting									
Transformation		✓	✓	✓				✓	
Business Continuity and Emergency Planning		✓	✓	✓				✗	Delayed due to SIAP long term sickness
Health and Safety		✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Human Resources - Pay and allowances		✓	✓	✓	✓	✓	Adequate	✓	
Human Resources - Policies and procedures		✓	✓	✓	n/a	n/a	n/a	✓	
Human Resources - Sickness monitoring		✓	✓	✓	✓	✓	Adequate	✓	
Procurement		✓	✓	✓	n/a	n/a	n/a	✓	Advice role
Corporate Governance									
Annual Governance Statement (Assurance Statement)		-	-	✓	✓	✓	Adequate	✓	
Proactive Fraud Review(s)		-	-	✓	n/a			✓	
National Fraud Initiative		-	-	✓	n/a			✓	
Financial management									
Housing rents and Debt Management		✓	✓	✓	✓			✓	
Income Collection and Transactions		✓	✓					✓	
Accounts Payable		✓	✓	✓				✓	
Financial Management (budget monitoring)		✓	✓	✓	✓	✓	Substantial	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Main Accounting System		✓	✓	✓	✓			✓	
Payroll		✓	✓	✓	✓			✓	
IT									
IT governance		✓	✓	✓	✓	✓	Substantial	✓	
IT disaster recovery		✓	✓	✓	✓	✓	Limited	✓	
Telecommunications		✓	✓	✓	✓			✓	
Strategic Objectives									
Arts and Heritage		✓	✓	✓				✓	
Across Schools Thematic Review – Compliance with Procurement Rules		✓	✓	✓	✓			✓	
Across Schools Thematic Review - Payroll		✓	✓	✓	✓	✓	Adequate	✓	
Establishment reviews – Holecroft		✓	✓	✓	✓	✓	Limited	✓	
Establishment reviews – Glenlee		✓	✓	✓	✓	✓	Limited	✓	
Safeguarding - Protection and Court Teams (PACT)		✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Integrated Commissioning Unit - Governance		✓	✓	✓	✓			✗	Awaiting management response
Integrated Commissioning Unit – Domiciliary Care Procurement		✓	✓	✓				✓	
SFVS - School Financial Value Standard		✓	✓	✓	n/a	n/a	n/a	✓	
Housing Depot Reviews		✓	✓	✓				✓	
Leisure - contract management		✓	✓	✓				✓	
HMO Licensing		✓	✓	✓	✓	✓	Adequate	✓	
Adoption		✓	✓	✓	✓			✓	
Better Care Fund		✓						✓	
Care Act		✓	✓	✓				✓	
MARP - Multi Agency Resource Panel		✓	✓	✓	✓	✓	Limited	✓	
Families Matters governance review		✓	✓	✓				✓	
Safeguarding - Adults		✓	✓	✓				✓	
Continuing healthcare		✓	✓	✓	✓			✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Contribution and charging policies		✓	✓	✓				✓	
Fostering		✓	✓	✓				✓	
Direct payments		✓	✓	✓				✓	
Quality assurance		✓	✓	✓				✓	
Families Matters grant claim 1		-	-	✓	n/a	n/a	n/a	✓	
Families Matters grant claim 2		-	-	✓	n/a	n/a	n/a	✓	
DOLS		✓	✓	✓				✓	
PUSH		✓	✓	✓	✓	✓	Substantial	✓	
Bitterne Sixth Form – Capital Project		✓	✓	✓	✓	✓	n/a	✓	
Public Health		✓	✓	✓				✓	
LSTF Grant Declarations 13/14		-	-	✓	n/a	n/a	n/a	✓	
LSTF Grant Declarations 14/15		-	-	✓	n/a	n/a	n/a	✓	