

Internal Audit Progress Report

October 2016

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’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

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

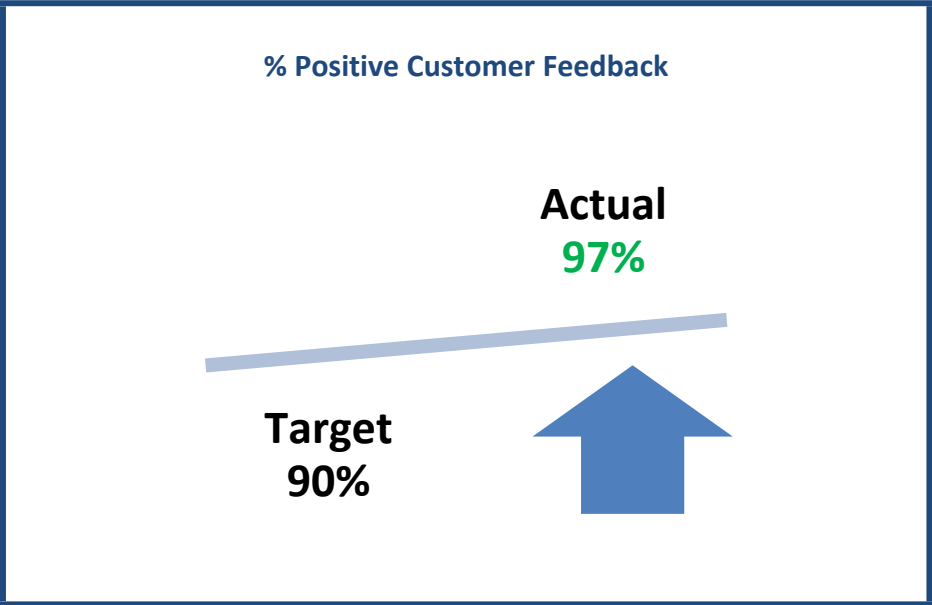
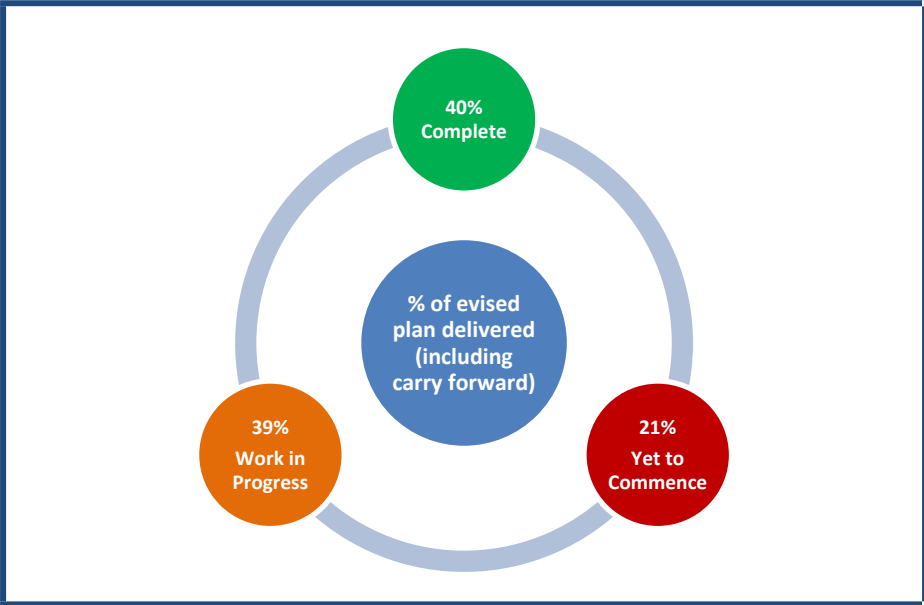
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:


- 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>

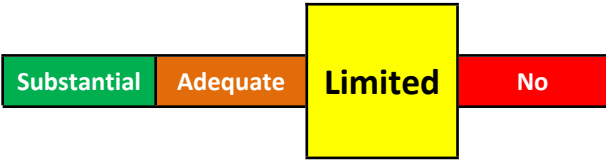
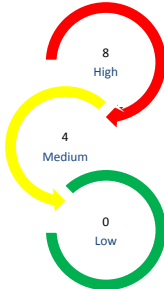
4. Status of 'Live' Reports

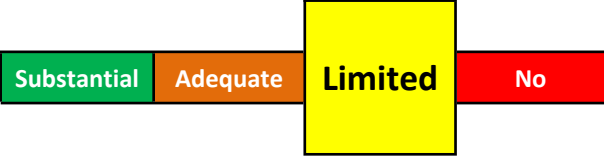
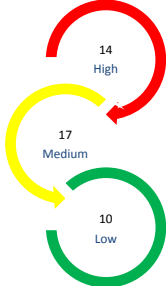
Audit Review	Report Date	Service Director	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Income Collection and Transactions	09/05/14	F & C	Adequate	6 (0)	0 (0)	0 (0)	5 (0)	1 (0)
Client Monies Service	09/03/15	A & H	Limited	30 (16)	0 (0)	0 (0)	29 (16)	1 (0)
Transport	15/06/15	G	Adequate	8 (1)	0 (0)	0 (0)	7 (1)	1 (0)
Financial Assessment Process	13/07/15	A & H	Limited	32 (22)	0 (0)	0 (0)	31 (22)	1 (0)
Accounts Receivable/Debt Management	08/10/15	F & C	Adequate	8 (1)	0 (0)	0 (0)	7 (1)	1 (0)
IT disaster recovery	22/02/16	D & BO	Limited	10 (3)	0 (0)	1 (0)	6 (2)	3 (1)
Across Schools Thematic Review Payroll -	09/03/16	C & F	Adequate	4 (1)	0 (0)	2 (0)	2 (1)	0 (0)
Human Resources – sickness monitoring	18/03/16	HR & OD	Adequate	15 (10)	0 (0)	0 (0)	12 (10)	3 (0)
HMO Licencing	22/03/16	T & US	Adequate	13 (7)	0 (0)	1 (0)	7 (3)	5 (4)
Continuing healthcare	06/04/16	A & H	Adequate	6 (3)	0 (0)	1 (1)	4 (2)	1 (0)
Telecommunications	12/04/16	D & BO	Limited	4 (0)	0 (0)	0 (0)	3 (0)	1 (0)
Integrated Commissioning Unit Governance -	21/04/16	Q & I	Adequate	6 (4)	0 (0)	0 (0)	5 (3)	1 (1)
Safeguarding Adults	05/05/16	A & H	Limited	27 (3)	0 (0)	2 (0)	23 (6)	2 (0)

Audit Review	Report Date	Service Director	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Quality assurance	16/05/16	A & H	Limited	12 (8)	0 (0)	0 (0)	6 (5)	6 (3)
Fostering	25/05/16	C & F	Limited	20 (16)	0 (0)	0 (0)	17 (13)	3 (3)
Business Continuity and Emergency Planning (follow up)	26/05/16	T & US	N/A	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)
DOLS	16/06/16	A & H	Limited	12 (12)	0 (0)	0 (0)	10 (10)	2 (2)
Public Health	17/06/16	PH	Limited	3 (3)	0 (0)	0 (0)	2 (2)	1 (1)
Health & Safety (follow up)	12/07/16	D & BO	N/A	16 (11)	0 (0)	6 (5)	10 (6)	0 (0)
Direct Payments	02/08/16	A & H	Limited	41 (14)	0 (0)	7 (0)	19 (12)	15 (2)
ICU – Care Placement Service	02/08/16	Q & I	Adequate	4 (4)	0 (0)	2 (2)	2 (2)	0 (0)
Local Government Transparency Code	28/09/16	L & G	Adequate	10 (5)	0 (0)	10 (5)	0 (0)	0 (0)
Main Accounting	28/10/16	F & C	Adequate	4 (0)	0 (0)	1 (0)	3 (0)	0 (0)

Service Directors	
Finance & Commercialisation	F & C
Growth	G
Adults & Housing	A & H
Human Resources & Organisational Development	HR & OD
Digital & Business Operations	D & BO
Children’s & Families	C & F
Transactions & Universal Services	T & US
Quality & Integration	Q & I
Public Health	PH
Legal & Governance	L & G

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

Quality assurance		
<p>Directorate Sponsor: Children’s & Families</p> <p>Key Contacts: Kim Drake, Service Director, Children’s and Families</p> <p>Final Report Issued: Kim Drake, Service Director, Children’s and Families; Phil Bullingham, Principal Officer; Paul Juan, Service Manager</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>A Quality Assurance Framework is in place for Children and Families which aims to deliver a consistent approach to quality assurance in order to improve practices and outcomes within service areas. However, testing across four service areas highlighted that not all managers were aware of the framework.</p> <p>The Quality Assurance Business Plan 2014-16 outlined how the Quality Assurance Framework was to be rolled out across Adults and Housing by October 2015. However, as at the time of the audit this had yet to happen and consequently there was no formal structured and independent internal quality assurance work taking place across these service areas.</p> <p>The quality assurance plan was in place to outline what quality assurance work would be undertaking throughout the year, however, the plan did not cover the work of the QA Team, indicate the level of resource required to deliver the plan or relative priorities. Activities were not allocated to staff and where target dates were included for actions, each had lapsed and there were no details of outcomes / reasons for delays.</p> <p>The Quality Assurance Team monitors a "Plan of Plans" document which is a consolidated document detailing 20 reports and associated actions following reviews from sources such as Ofsted and Serious Case Reviews. A review of the document identified that it is very detailed and clear, however it was noted that there were more than 1,200 lines (actions), including 251 lines (21%) that had not been completed. Of these 245 (98%) were overdue.</p>		

<p>Direct Payments</p>		
<p>Directorate Sponsor: Housing, Adults & Communities</p> <p>Key Contacts: Derek Laws, Interim Service Director, Housing, Adults & Communities</p> <p>Final Report Issued: Mark Heath, Chief Operating Officer; Derek Law, Interim Service Director; Paul Juan, Service Manager; Prisca Mascarenhas, Business Manager; Lorraine Stewart, Creditors Manager</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>Direct payments are available to residents eligible to social care whereby they, or their nominated carer, will receive money to buy services or equipment to manage their assessed needs.</p> <p>Review of the direct payment process highlighted weaknesses whereby some clients were in receipt of an ongoing payment despite not having signed the required agreement. Of those clients who did not have capacity to consent to a direct payment themselves testing identified instances where decisions were not supported by a mental capacity assessment form or a suitable person assessment for the direct payment to be managed by a third party.</p> <p>Additionally, 16% of direct payments tested were found to be overpaid as the client contribution had not been applied or an incorrect amount had been deducted. In addition a proportion of clients tested did not appear to be paying their client contribution towards their care.</p> <p>Care Managers are not carrying out regular reviews to determine if the needs of the client have changed and the direct payment remains appropriate. Of the clients tested, 80% had not received an annual review. Of the higher value direct payments (over £350 per week), 30% appear never to have been audited by the payments team and only 60% had been audited annually as required.</p> <p>Concerns have been highlighted by the payments team with 70% of the direct payments audited, however the escalation process was often not followed to resolve the highlighted issues. Of those direct payment audited by the Payment Team 42% highlighted accrued surpluses; however, these had not been adjusted or re-assessed.</p> <p>All documentation, assessments, reviews and audits should be recorded on PARIS. However information is not easy to find, documents were missing or information was incomplete as there are no mandatory fields for completion. Without a comprehensive audit trail there is a lack of evidence to support</p>		

decisions and fully monitor a client’s care.

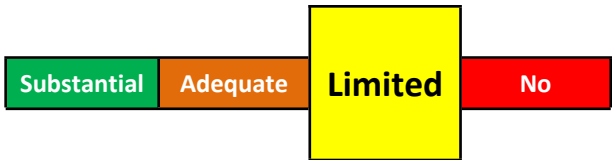
Public Health

Directorate Sponsor: Public Health

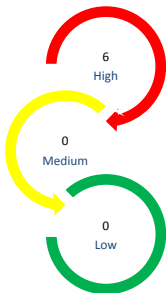
Key Contacts: Bob Coates, Acting Director of Public Health

Final Report Issued: Bob Coates, Acting Director of Public Health; Suki Sitaram, Chief Strategy Officer; Dawn Baxendale, Chief Executive

Assurance opinion:



Management Actions:



Summary of key observations:

The Health & Social Care Act 2012 gave local authorities new duties in relation to the responsibility for promoting and protecting the public’s health which came into effect from April 2013.

The Faculty of Public Health has developed a document setting out the local Public Health Functions in England. This document is used by the Public Health Team as the basis to assess Southampton City’s compliance with the three domains of Health Protection; Health Improvement; Health Services. Overall there are 34 sub functions.

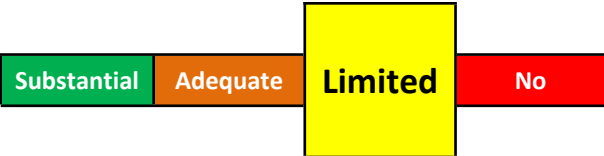
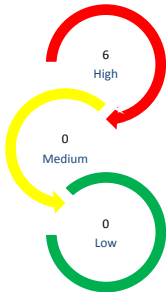
Each of the sub functions had been allocated to a senior member of the Public Health Team to enable regular monitoring. Whilst monitoring of the 34 areas has been undertaken some areas are reliant on input and guidance from Public Health England (PHE) and NHS England (NHSE), which has not been received.

Of the 34 areas, 14 were assessed at the time of the audit as fully compliant and 20 were partially compliant. There were no non-compliant areas. There was no clear risk assessment to assess the impact of this and no action plan in place to address the areas of partial compliance to ensure that resources were targeted effectively to minimise the impact.

The Senior Management Team had not been made aware of the level of compliance or the issues / risks that arise as a result. Therefore, at the time of the audit there was no clear direction of travel to improve or minimise any further reduction in the overall compliance level for the Public Health Functions for the City Council.

With the exception of one, all management actions raised to mitigate identified risks have been implemented

Leisure – Contract Management

<p>Directorate Sponsor:</p> <p>Key Contacts: Service Director Digital & Business Operations</p> <p>Final Report Issued: Mark Heath, Acting Chief Operating Officer; Mike Harris, Acting Service Director Growth; Rob Harwood, Service Director, Digital & Business Operations; Paul Paskins, Contract & Governance Manager</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
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Summary of key observations:

A Project Agreement contract was put in place between Southampton City Council and DC Leisure Ltd (the Contractor) in 2010. At the same time, an operating contract (assigning delivery of the service to a separate Operator) was put in place between DC Leisure Ltd and Active Nation (UK).

We were advised by the Contract and Governance Manager that the Authority’s approach to contract and supplier management was under review as part of the ongoing Transformation project

We examined contract governance in place and found that a partnership arrangement exists between SCC and Places for People. This enables joint decision making to occur, and is further supported by the presence of a Strategic Board, which meets to decide on the longer-term direction of the contract. Representatives from all stakeholders attend these meetings.

It was found that some individual risks had been identified and action was being taken to mitigate them, however, it was agreed that there was no structured approach to capture and record all potential contract risks enabling each to be assessed and allowing resource to be effectively directed against those of highest priority.

The SCC Contract Management Team regularly requests from the contract Operator (Active Nation), details of Health & Safety checks undertaken at individual sites, however, although this system is now in place, documentation remained outstanding at the time of testing.

The Project Agreement requires a signed declaration, in respect of income and expenditure, from the contractor’s representative. However, we found that SCC has historically relied upon the contractor to provide accurate and complete figures to enable the profit share and the performance of the contract to be monitored, without undertaking their own integrity checks. We understand that integrity checks have been proposed for the future.

With regard performance management, we found that the Operator, Active Nation UK, has regularly provided management information. However, our review of the reports found that they do not fully address all of the four outcomes defined in the contract. The Contract & Governance Manager advised us that the issue of inadequate reporting against these outcomes has been recognised by the Contract Management Team, which has in the past, made ad hoc requests to the Operator for additional information.

All management actions raised to mitigate identified risks have been implemented

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.2016 – 30.09.2016
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	50 days
Total number of (new) fraud cases investigated	6 **

*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 2016/17 was approved by the Council's Management Team and the Audit Committee in April 2016.

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
2016-17 Reviews (incl. 2015-16 Carry Forward)									
Corporate Cross Cutting									
Transformation – Governance and Programme Management	TD	✓	✓	✓	✓	✓	Adequate	✓	15/16
Business Continuity and Emergency Planning (Follow up)	D & BO	✓	✓	✓	✓	✓	N/A	✓	15/16
Health and Safety (Follow up)	D & BO	✓	✓	✓	✓	✓	N/A	✓	15/16
Transformation	TD	✓						✓	
Health and Safety	D & BO	✓	✓	✓				✓	
Information Governance	L & G	✓	-					✓	
Human Resources	HR & OD								

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	HR & OD	✓	✓	✓				✓	
Repairs and Maintenance	G								
Corporate Governance									
Annual Governance Statement (Assurance Statement)	L & G	-	-	✓	-	✓	Adequate	✓	
Proactive Fraud Review(s)	F & C	-	-	✓	n/a			-	
National Fraud Initiative	F & C	-	-	✓	n/a			✓	
Local Government Transparency Code 2015	L & G	✓	✓	✓	✓	✓	Adequate	✓	
Financial management									
Housing Rents and Debt Management	A & H	✓	✓	✓	✓	✓	Substantial	✓	15/16
Income Collection and Transactions (Port Health)	F & C	✓	✓	✓	✓	✓	Adequate	✓	
Accounts Payable	F & C	✓	✓	✓	✓	✓	Substantial	✓	15/16
Main Accounting System	F & C	✓	✓	✓	✓	✓	Adequate	✓	15/16
Payroll	F & C	✓	✓	✓	✓	✓	Substantial	✓	15/16
Employers Pensions	F & C	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Accounts Receivable & Debt Management	F & C	✓						✓	
Financial Management	F & C	✓						✓	
NNDR	F & C	✓	✓	✓	✓			✓	
Housing Benefits (inc Council Tax Reduction Scheme)	F & C	✓	✓	✓	✓	✓	Substantial	✓	
IT									
Telecommunications	D & BO	✓	✓	✓	✓	✓	Limited	✓	15/16
IT Applications and Operating Systems	D & BO								
Network Management and Security	D & BO	✓	✓	✓	✓			✓	
Virtualisation	D & BO	✓						✓	
Cyber Essentials Scheme – Assurance mapping	D & BO	-	-	✓	-	-	N/A	✓	
Strategic Objectives									
Arts and Heritage	G	✓	✓	✓	✓	✓	Substantial	✓	15/16
Across Schools Thematic Review – Compliance with Procurement Rules	C & F	✓	✓	✓	✓	✓	Limited	✓	15/16

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Safeguarding - Protection and Court Teams (PACT)	A & H	✓	✓	✓	✓			✗	15/16
Integrated Commissioning Unit – Governance	Q & I	✓	✓	✓	✓	✓	Adequate	✓	15/16
Integrated Commissioning Unit – Domiciliary Care Procurement	Q & I	✓	✓	✓	✓			✓	
Housing – Stock Control (follow up)	A & H	✓	✓	✓	✓	✓	N/A	✓	15/16
Leisure - contract management	D & BO	✓	✓	✓	✓	✓	Limited	✓	15/16
Adoption	C & F	✓	✓	✓	✓	✓	Limited	✓	15/16
Better Care Fund	Q & I	✓	✓	✓	✓	✓	Substantial	✓	15/16
Care Act	A & H	✓	✓	✓	✓			✗	15/16
Families Matters governance review	C & F	✓	✓	✓	✓	✓	N/A	✓	15/16
Safeguarding - Adults	A & H	✓	✓	✓	✓	✓	Limited	✓	15/16
Continuing healthcare	A & H	✓	✓	✓	✓	✓	Adequate	✓	15/16
Fostering	C & F	✓	✓	✓	✓	✓	Limited	✓	15/16
Direct payments	A & H	✓	✓	✓	✓	✓	Limited	✓	15/16
Quality assurance	A & H	✓	✓	✓	✓	✓	Limited	✓	15/16
DOLS	A & H	✓	✓	✓	✓	✓	Limited	✓	15/16

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Public Health	PH	✓	✓	✓	✓	✓	Limited	✓	15/16
Across Schools Thematic Review – Budgetary Control	C & F	✓	✓	✓				✓	
Across Schools Thematic Review - Schools Admissions and Attendance	C & F	✓	✓	✓				✓	
General School Reviews (4)	C & F								
0-25 Special Educational Needs	C & F	✓	✓	✓	✓			✓	
Short Breaks	C & F								
Transitions	C & F / A & H								
SFVS - School Financial Value Standard (Return)	F & C	✓	-	✓	-	-	N/A	✓	
SFVS – Analysis/Follow-up	F & C	✓	-	✓				✓	
Childrens Safeguarding – End to End Case Review	C & F								
Care Leavers	C & F	✓	✓	✓				✓	
Looked After Children	C & F	✓	✓	✓				✓	
Better Care Fund	Q & I								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Direct payments	A & H								
Families Matters grant claim 1	C & F	✓	-	✓	-	✓	n/a	✓	
Families Matters grant claim 2	C & F								
ICU – Care Placement Service	Q & I	✓	✓	✓	✓	✓	Adequate	✓	
ICU – Quality Monitoring Team	Q & I	✓	✓	✓	✓			✓	
Rehabilitation, Reablement and Integration Programme	A & H								
Capital Programme Management	G								
Planning Applications	G								
Port Health	T & US	✓						✓	
CIL – Community Infrastructure Levy	G	✓	✓	✓					
Housing Depot Review	A & H	✓	✓	✓	✓	✓	n/a	✓	
Procurement	D & BO	✓						✓	
Contract Management – RFID	D & BO	✓	✓	✓	✓			✓	
Contract Management – Supported Buses	D & BO	✓	✓	✓	✓			✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Contract Management – Governance	D & BO	✓						✓	
Contract Management – Highways	D & BO								
ICU - Procurement	Q & I								
ICU – Contract Management	Q & I								
Joint Venture – PSP	COO	✓						✓	
Southampton New Arts Centre (SNAC)	G								
Contribution and charging – FAB process review	F & C	✓	-					✓	
Bitterne Sixth Form – Capital Project	F & C	✓	✓	✓				✓	
PUSH	F & C	✓	✓	✓	✓	✓	Substantial	✓	
Local Transport Capital Block Funding	F & C	✓	-	✓	n/a	✓	n/a	✓	
Disabled Facilities Grant	F & C	✓	-	✓	n/a	✓	n/a	✓	
Local Authority Bus Subsidy Grant	F & C	✓	-	✓	n/a	✓	n/a	✓	

Service Directors	
Finance & Commercialisation	F & C
Growth	G
Adults & Housing	A & H
Human Resources & Organisational Development	HR & OD
Digital & Business Operations	D & BO
Children's & Families	C & F
Transactions & Universal Services	T & US
Quality & Integration	Q & I
Public Health	PH
Legal & Governance	L & G
Transformation Director	TD
Chief Operating Officer	COO