

Governance Committee

Monday, 15th April, 2019
at 5.00 pm

PLEASE NOTE TIME OF MEETING

Committee Room 1 - Civic Centre

This meeting is open to the public

Members of the Committee

Councillor Keogh (Chair)
Councillor Kataria (Vice-Chair)
Councillor Harwood
Councillor Noon
Councillor Parnell
Councillor White
Councillor Whitbread

Contacts

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Senior Democratic Support Officer
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PUBLIC INFORMATION

Role of the Governance Committee

Information regarding the role of the Committee's is contained in Part 2 (Articles) of the Council's Constitution.

[02 Part 2 - Articles](#)

It includes at least one Councillor from each of the political groups represented on the Council, and at least one independent person, without voting rights, who is not a Councillor or an Officer of the Council.

Access – Access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Public Representations At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda

The Southampton City Council Strategy (2016-2020) is a key document and sets out the four key outcomes that make up our vision.

- Southampton has strong and sustainable economic growth
- Children and young people get a good start in life
- People in Southampton live safe, healthy, independent lives
- Southampton is an attractive modern City, where people are proud to live and work

Smoking policy – The Council operates a no-smoking policy in all civic buildings.

Mobile Telephones:- Please switch your mobile telephones to silent whilst in the meeting

Use of Social Media:- The Council supports the video or audio recording of meetings open to the public, for either live or subsequent broadcast. However, if, in the Chair's opinion, a person filming or recording a meeting or taking photographs is interrupting proceedings or causing a disturbance, under the Council's Standing Orders the person can be ordered to stop their activity, or to leave the meeting. By entering the meeting room you are consenting to being recorded and to the use of those images and recordings for broadcasting and or/training purposes. The meeting may be recorded by the press or members of the public.

Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so.

Details of the Council's Guidance on the recording of meetings is available on the Council's website.

Fire Procedure – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

Dates of Meetings: Municipal Year 2018/19

2018	2019
11th June	11th February
30th July	15 th April
10 th September	
12th November	
10th December	

CONDUCT OF MEETING

Terms of Reference

The terms of reference of the Governance Committee are contained in Part 3 of the Council's Constitution.

[03 - Part 3 - Responsibility for Functions](#)

Rules of Procedure

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

Business to be discussed

Only those items listed on the attached agenda may be considered at this meeting.

Quorum

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

1 **APOLOGIES**

To receive any apologies.

2 **DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

3 **STATEMENT FROM THE CHAIR**

4 **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

(Pages 1 - 4)

To approve and sign as a correct record the Minutes of the meeting held on 11th February 2019 and to deal with any matters arising, attached.

5 **ANNUAL REVIEW OF THE CONSTITUTION** (Pages 5 - 8)

Report of the Director of Legal & Governance detailing proposed changes to the Constitution, attached.

6 **INTERNAL AUDIT PROGRESS REPORT 2018-19** (Pages 9 - 30)

Report of Chief Internal Auditor detailing the Internal Audit Progress Report 2018-2019, attached.

7 **ANNUAL INTERNAL AUDIT PLAN 2019-20** (Pages 31 - 50)

Report of the Chief Internal Auditor detailing the Annual Internal Audit Plan for 2019-2020, attached.

8 **EXTERNAL AUDIT PROGRESS REPORT** (Pages 51 - 62)

Report of the External Auditor providing a progress report, attached.

9 **PROGRAMME AND PROJECTS QUARTERLY REPORT** (Pages 63 - 68)

Report of the Interim Director Finance and Commercialisation providing a Programme and Projects Quarterly Update, attached.

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GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON 11 FEBRUARY 2019

Present: Councillors Keogh (Chair), Kataria (Vice-Chair), Noon, Parnell (minutes 38 - 43), White and Whitbread (minutes 38 – 45)

Apologies: Councillors Harwood

38. **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED: that the minutes for the Committee meeting on 12th November 2019 be approved and signed as a correct record.

39. **QUARTERLY HR STATISTICS**

The Committee received and noted the report of the Service Director Human Resources and Organisational Development detailing Quarter 3 Human Resources statistics and included additional summary information on levels of staff sickness as requested by the Committee.

The Committee noted that there had been 7 dismissals 3 of which were sickness related. The Committee expressed their concern at the high levels of sickness across parts of the Authority. The Committee noted that there was a lot of work being undertaken to address the issue including a task group established, a review of the reasonable adjustment policy, attendance workshops and targeted key intervention in known “hot spots”. The Committee also noted that last year had seen Transaction and Universal Services as a targeted area for key intervention work and statistics had significantly improved, the focus for the forthcoming year was Adult Services and Children and Families.

The Committee requested that with effect from the next quarter comparative data with other local authorities be included together with an update from the task group on the impact the group was having. The Committee also requested that the Attendance Policies be circulated to Members of the Committee outside of the meeting.

40. **ANNUAL GOVERNANCE STATEMENT 2018-19**

The Committee considered the report of the Chief Financial Officer detailing the Annual Governance Statement 2018-19 in accordance with the Accounts and Audit Regulations. The Annual Governance Statement reports on the extent to which the Council had complied with its Code of Corporate Governance, including how it was monitored and evaluated the effectiveness of its governance arrangements in the year and on any planned changes in the coming period.

RESOLVED:

- (i) That the assurance gathering process to support the development of the 2018-19 Annual Governance Statement as detailed in Appendix 1 of the report be approved; and
- (ii) That the status of the agreed actions arising from the 2017-18 Annual Governance Statement as detailed in Appendix 2 of the report be noted.

41. **TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2019/20 TO 2022/23**

The Committee considered the report of the Section 151 Officer detailing the Treasury Management Strategy and Prudential Limits 2019/20 to 2022/23 and set out the context within which the Council's treasury management activity operated, a proposed strategy for the coming year in relation to cash flow, investment and borrowing, and the management of the associated risks, including the loss of invested funds and the revenue effect of changing interest rates. The Panel noted that Appendices 1 and 5 were new to the report as these were now a requirement of the CIPFA Code of Practice for Treasury Management in the Public Services.

The Committee particularly noted that moving forward Governance Committee would be responsible for approving the Treasury Management Report and its updates opposed to recommending to Council for approval. There was also a suggestion being discussed with Group Leaders that a cross party discussion group would be helpful if an alternative strategy needed to be developed.

The Committee also noted that currently within the Strategy there was no provision for anything such as a LATCO and parameters were being put in place for such things should they be pursued.

The Committee noted that the HRA Cap had been removed and there was a task and finish group in place to monitor this. Existing schemes were required to operate within the gap they had been given and any new schemes would be reviewed by the task and finish group, would need to be self-funding and submitted to Governance Committee for sign off.

The Committee also noted that all Governance Committee Members would be required to attend Treasury Management training at the start of the Municipal Year given they would now be approving the Treasury Management Strategy going forward.

RESOLVED:

- (i) That the Treasury Strategy (TS) for 2019/20 as outlined in the report be endorsed;
- (ii) That the 2019 Minimum Revenue Provision (MRP) Statement as detailed in paragraphs 106 to 115 be endorsed;
- (iii) That the Investment Strategy (IS) as detailed in paragraphs 87 to 105 be endorsed;
- (iv) That the indicators as reported had been set on the assumption that the recommendations in the Capital update report would be approved by Council on 20th February 2019 be noted. Should the recommendations change the Prudential Indicators may have to be recalculated;
- (v) That due to timing of this report, changes may still be required following the finalisation of capital and revenue budgets and therefore any significant changes to this report would be highlighted in the final version that was presented to Council;
- (vi) That the proposal within the Capital Strategy report, that Governance Committee has delegated authority to approve future Treasury Strategy Reports and associated Prudential Indicators be endorsed; and

- (vii) That the proposal to explore an alternative Treasury Strategy to generate additional income that could support local services whilst maintaining a prudent approach be endorsed.

42. **EXTERNAL AUDIT ANNUAL CERTIFICATION**

The Committee received and noted the report of the External Auditor detailing the Annual Report on the Certification of Claims and Returns 2017/18 as detailed in Appendix 1 of the report.

43. **EXTERNAL AUDIT PROGRESS REPORT**

The Committee received and noted the External Auditor report detailing the External Audit Plan for year ending 31st March 2019 as detailed in the appendix to the report.

44. **PROCUREMENT AUDITS - UPDATE**

The Committee considered the report of the Service Director Digital and Business Operations detailing progress against the actions set out in the following reports collectively referred to as "The Audit Reports" for the purposes of this report:-

- Procurement – sub £100k spend
- Contract Framework and Procurement Audit
- External Audit

The Committee noted that many of the findings set out in the above reports had the same or similar causes and therefore the same and/or inter-related actions had been identified to address the issues. This report therefore represented a consolidated approach to updating the Governance Committee on progress against the three audits.

The Committee requested that data relating to various spending levels and broader categorisation be circulated to members outside of the meeting.

RESOLVED:

- (i) That the significant progress in improving compliance with the Council's procurement policies and rules be noted;
- (ii) That the progress against the majority of other actions agreed as a result of the Audit Reports be noted;
- (iii) That further remedial actions which were being implemented be noted; and
- (iv) That the proposals for the future reporting of progress and results to the Governance Committee be noted.

45. **EXCLUSION OF THE PRESS AND THE PUBLIC**

RESOLVED: that the Chair moved in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of appendix 2 of the following item.

Confidentiality was based on Categories 1, 2, 3 and 7 of paragraph 10.4 of the Access to Information Procedure Rules. The information contained therein was potentially exempt as it related to information relating to an individual, information likely to disclose the identity of an individual and information relating to the financial or business affairs of

any person including the Authority and contracts and contractors. Having applied the public interest test it was not appropriate to disclose this information.

46. **INTERNAL AUDIT PROGRESS REPORT 2018-19**

The Committee received and noted the report of the Chief Internal Auditor detailing the Internal Audit Progress Report for the period 30th October 2018 to the 30th January 2019 as detailed in Appendix 1 of the report. The Committee requested that in relation to exceptions that were open and in progress that the Service Area was detailed.

The Committee also noted Appendix 3 of the report which provided details of an audit undertaken at Mount Pleasant Primary School which had given “no assurance”. The Committee noted that the Cabinet Member for Aspiration, Schools and Lifelong Learning was looking at an audit cycle/process offer for schools together with details contained in the budget papers for a one off one year funding for a school improvement and finance officer which could potentially also be of support.

The Committee moved into confidential session for consideration of confidential appendix 2 of the report.

Agenda Item 5

DECISION-MAKER:	GOVERNANCE COMMITTEE COUNCIL		
SUBJECT:	ANNUAL REVIEW OF THE CONSTITUTION		
DATE OF DECISION:	15 APRIL 2019 (GOVERNANCE COMMITTEE) 15 MAY 2019 (COUNCIL)		
REPORT OF:	DIRECTOR OF LEGAL & GOVERNANCE		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Richard Ivory	Tel: 023 8083 2794
	E-mail:	Richard.ivory@southampton.gov.uk	
Director	Name:	Richard Ivory	Tel: 023 8083 2794
	E-mail:	Richard.ivory@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
None			
BRIEF SUMMARY			
This report sets out the annual review of the Constitution. This will be considered and initially discussed by Governance Committee on 15 th April 2019. The recommendations to both the Governance Committee and Council are included below.			
As ever, the Constitution is a document that changes regularly and, therefore, further revisions may be proposed prior to or at Council.			
RECOMMENDATIONS:			
Governance Committee			
	(i)	To consider and recommend the changes to the Constitution to Council for adoption.	
Council			
	(i)	To agree the minor changes to the Constitution and associated arrangements as set out in this report;	
	(ii)	To authorise the Director of Legal & Governance to finalise the arrangements as approved by Full Council and make any further consequential or minor changes arising from the decision;	
	(iii)	To approve the City Council's Constitution, as amended, including the Officer Scheme of Delegation, for the Municipal Year 2019-20.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	It is appropriate as a core tenet of good governance for the Council to keep its Constitution under regular review and to amend it, both to reflect experience and changing circumstances.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	The Council has previously resolved to review its Constitution annually. Therefore, it is appropriate that this report is considered by Members. There are a range of recommendations set out within the report, none of which are		

	substantial changes. Members have a range of options about various changes not least of which is to amend or reject some or all of them.	
DETAIL (Including consultation carried out)		
<u>Scheme of Delegation to Officers</u>		
3.	This has been updated to reflect revised job titles and other minor matters, remove duplication and to include delegations required to give effect to the new and revised legislation. No new delegations are included.	
<u>Council Procedure Rules</u>		
4.	Addition of a clause (11.4(c)) relating to the Annual General Meeting and the notice required for Member questions. The time for submitting formal questions is extended following annual elections.	
5.	Addition of a clause (11.5(a)) regarding the form of response to Member Questions to simply reflect the fact that written responses can be tabled.	
<u>Contract Procedure Rules (CPRs)</u>		
6.	The amendments proposed are to assist the Council to achieve value for money for its goods, services and works through an appropriate and proportionate approach to procurement activity.	
7.	The proposed version of the CPRs do not anticipate the UK's position post leaving the EU and any subsequent changes that may be made. On exit all EU law will transpose into UK law. Whilst it is not expected that there will be any significant changes to the UK's procurement approach in the short term, the CPRs will be revisited if and when any changes occur.	
8.	Summarised below are the key changes proposed and a brief rationale for each:	
	a.	Increase the low value transaction threshold from £1,000 to £5,000 meaning that officers are able to make purchases directly up to the value of £5,000 provided that they have obtained at least one written quote;
	b.	Amend the drafting in respect of the use of framework agreements to clarify that the use of specific framework agreements must only be approved for use by the Service Director – Business and Digital Operations on a single occasion, after which their appropriateness for use is determined by Procurement Services Team on a case-by-case basis;
	c.	Mandate that where the Council has in place specific contracts with suppliers to provide supplies, services or works these contracts must be used to source relevant requirements, unless directed otherwise by the Service Director - Digital and Business Operations;
	d.	Transfer the approval of Integrated Commissioning Unit (ICU) exemptions from the Service Director – Digital and Business Operations to the Service Director - Quality and Integration;
	e.	Amend the 'Intermediate-Value Transactions' procedure to allow Officers sourcing temporary staff to obtain three quotes or use approved frameworks directly without need to go involve the Procurement Services Team;

	f.	Create a new requirement for at least one quote to be sought from a Small or Medium-sized Enterprise (SME) supplier for all requirements of above £5,000 in contract value;
	g.	Expand the arrangements captured in the Contracts Register to capture “one off” as well as recurring payments and
	h.	Include a clear obligation on Officers to communicate any agreed extensions or variations to contracts to the Procurement Services Team to ensure that these are reflected in the Contracts Register.
Chief Officer Employment Panel		
9.		Currently the terms of reference encompass appointment and dismissal, where they can lawfully do so, of all officers on CO grades. By definition this includes some, but not all, Service Leads. After discussion with Group Leaders it is considered that the most appropriate use of Members’ valuable time is to concentrate on the more senior officers, ie Chief Officers, as the title suggests, including statutory officers.
RESOURCE IMPLICATIONS		
<u>Capital/Revenue</u>		
10.		None.
<u>Property/Other</u>		
11.		None.
LEGAL IMPLICATIONS		
<u>Statutory power to undertake proposals in the report:</u>		
12.		The Executive Arrangements and Constitution are required under the Local Government Act 2000 (as amended) and the Localism Act 2011.
<u>Other Legal Implications:</u>		
13.		None.
RISK MANAGEMENT IMPLICATIONS		
14.		None.
POLICY FRAMEWORK IMPLICATIONS		
15.		None.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	None
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Draft revised Constitution – online only
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out?	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out?	No
Other Background Documents	
Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

Agenda Item 6

DECISION-MAKER:		GOVERNANCE COMMITTEE	
SUBJECT:		INTERNAL AUDIT PROGRESS REPORT 2018-19	
DATE OF DECISION:		15 APRIL 2019	
REPORT OF:		CHIEF INTERNAL AUDITOR	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Elizabeth Goodwin	Tel: 023 8083 4616
	E-mail:	Elizabeth.Goodwin@southampton.gov.uk	
Director	Name:	John Harrison	Tel: 023 8083 4897
	E-mail:	John.Harrison@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
N/A			
BRIEF SUMMARY			
<p>The Public Sector Internal Audit Standards 2017 (PSIAS), requires the Chief Internal Auditor (CIA) to provide periodical updates to the Governance Committee on:</p> <ul style="list-style-type: none"> • Progress made against the agreed annual audit plan. • Results of audit activities and • Management's response to risk that in the CIA's judgement maybe unacceptable to the Authority <p>All other PSIAS requirements are communicated in either the charter or annual audit opinion, which are reported separately to this committee at various times throughout the year.</p> <p>Internal Audit Progress for the period 31st January to the 31st March 2019 is covered in the attached Appendix 1.</p>			
RECOMMENDATIONS:			
	(i)	That the Governance Committee notes the Internal Audit Progress report for the period 31 st January to the 31 st March 2019.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	In accordance with the Public Sector Internal Audit Standards the Chief Internal Auditor is required to provide an update on progress against the annual audit plan to the Governance Committee for information.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None		
DETAIL (Including consultation carried out)			
3.	None		
RESOURCE IMPLICATIONS			
<u>Capital/Revenue</u>			
4.	None		

<u>Property/Other</u>	
5.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
6.	The Accounts and Audit (England) Regulations 2015 state 'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards.
<u>Other Legal Implications:</u>	
7.	None
RISK MANAGEMENT IMPLICATIONS	
8.	The report is for note only, there is no decision to be made.
POLICY FRAMEWORK IMPLICATIONS	
9.	None
KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	None
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Internal Audit Progress Report for the period 31 st January to the 31 st March 2019.
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at: Internal Audit Office, Civic Centre, Municipal, 1st floor, Rm 219.	
Title of Background Paper(s): None	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)



Internal Audit Progress Report

31st March 2019

Elizabeth Goodwin - Chief Internal Auditor

Introduction

The Internal Audit function is a statutory function for all Local Authorities. Southampton City Council Internal Audit service has an in-house team and a shared Chief Internal Auditor with Portsmouth City Council (PCC). The in house audit team is supported by audit & counter fraud staff from PCC under a collaborative working arrangement.

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].

Purpose of report

The purpose of this report is to update the committee on the progress of the 2018/19 Audit Plan as at 31st March 2019 and to highlight any significant risk exposure and control issues, including fraud and governance risks. 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. Assurance opinions are categorised as follows:

Overall Assurance Levels:	Description / Examples
Assurance	No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority
Reasonable Assurance	Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority
Limited Assurance	Control weaknesses or risks were identified which pose a more significant risk to the Authority
No Assurance	Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit

NOTE: Where the audit receives an overall level of 'No Assurance' then the exceptions are be reported in their entirety to the Governance Committee along with the Directors comments.

The following table outline the exceptions raised in audit reports and are reported on in priority order.

Exception Priority Level	Description
Low Risk - Improvement	Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.
Medium Risk	These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.
High Risk	Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not “show stopping” but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.
Critical Risk	Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the organisation’s objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations and corrective action needs to be taken immediately.

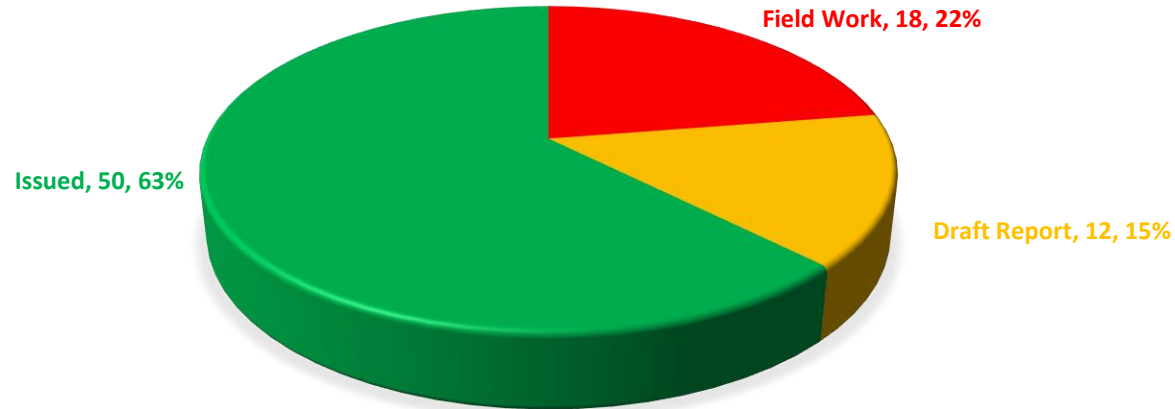
NOTE: Any critical exceptions found the exceptions will be reported in their entirety to the Governance Committee along with the Directors comments.

The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

Follow Up Categories	Description
Open	No action has been taken on agreed action.
Pending	Actions cannot be taken at the current time but steps have been taken to prepare.
In Progress	Progress has been made on the agreed action however they have not been completed.
Implemented but not Effective	Agreed action implemented but not effective in mitigating the risk.
Closed - Verified	Agreed action implemented and risk mitigated, verified by follow up testing.
Closed – Not Verified	Client has stated action has been completed but unable to verify via testing.
Closed – Management Accepts Risk	Management have accepted the risk highlighted from the exception
Closed – No Longer Applicable	Risk exposure no longer applicable.

Audit Plan Progress:

AUDIT PLAN PROGRESS TO 31ST MARCH 2019



100% of the Audit Plan has been completed or is in progress as at 31st March 2019. This is based on 80 audits, which includes follow up reviews.

Breakdown of Progress:

Status	Number of Audits
Identified	0
Field Work	18
Draft Report	12
Issued Report	50

Unplanned Work:

Since 31st January 2019 to 31st March 2019, Internal Audit has provided advice/performed adhoc work in the following area. (For reference, Advice is only recorded when the time taken to provide the advice exceeds 1 hour).

- Data Analysis and data matching in relation to Duplicate Invoices. Work has been undertaken to use data analytics software to identify potential duplicate invoices and or payments with the view to conduct continuous testing in this area.
- Compiling documentation for a Freedom of Information request for reports commenting on procurement since 2010.
- Attended Business World meetings to discuss the new write off and suspense account processes.
- Review of cash security at Central Library and implementation of Library cash management system.

Audit Plan Status/Changes:

The following changes have been made to the plan since it was agreed earlier in the year. These changes are as follows;

Audits removed from the audit plan:

1. Commercial Contracts: The scope for this review has been covered under various other audits including follow-up work on the Contracts Framework & Procurement and the ICU Contracts Audits
2. Multi Agency Safeguarding Hub: This audit has been moved to the 2019/20 audit plan as a number of in-house reviews have been undertaken.
3. Care Leavers: This audit has been moved to the 2019/20 audit plan in order to allow sufficient time for the service to implement actions following an Ofsted review.
4. Partnerships: This audit has been moved to the 2019/20 audit plan at the request of the Service Director due to ongoing preparations for Brexit.

Areas of Concern:

1. No new areas of concern.

Completed Audits between 31st January and 31st March 2019

Project Name	Hub	Overall Opinion	Total No. of Issues/Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk Improvement
Family Matters Grant	Strategy (SD Finance & Commercialisation)	Assurance	0	-	-	-	-
Scope of Audit:	Sample testing claims to verify them back to supporting records.						
Internal Audit have undertaken sample testing on Southampton City Council's Quarter 1-4 claims for the rolling claim window 2018/19 for troubled families payments by results, and have certified the claims to be accurate.							
Treasury Management	Strategy (SD Finance & Commercialisation)	Assurance	0	-	-	-	-
Scope of Audit:	Investment and borrowing is compliant with the treasury management strategy, decisions are authorised with clear management trails and the cash position is suitably monitored.						
Based on testing conducted Internal Audit can offer assurance that treasury management transactions carried out between April 2018 and January 2019 were compliant with the authority's treasury management strategy.							
Sexual Health Contract	Strategy (SD Public Health)	Reasonable Assurance	3	-	1	1	1
Scope of Audit:	KPIs are appropriate and have synergy to the public health strategy, performance is monitored, invoices are accurate, quarterly charges reconciliations, the authority and provider are working collaboratively.						
The high risk exception relates to the monthly invoices not accurately reflecting the 2% reduction in overall cost to the contract leading to potential overall overcharges of £4,673.51. The medium risk relates to insufficient checks on KPI's and whether the threshold is met that justifies the payments made. The low risk improvement exception was raised due to there being no checks on the activity data provided by the supplier to ensure they are accurate. The contract states quarterly checks should be undertaken to ensure future decisions are being based on verified data.							
GDPR Public Health	Strategy (SD Public Health)	Reasonable Assurance	3	-	-	2	1
Scope of Audit:	Compliance with GDPR, securing suicide data, data published online, records retention schedule, restricting identifiable information, GDPR training and the information asset register.						
The first medium risk exception relates to 2/15 staff members sampled not having completed the mandatory "Data Protection & Freedom of Information including GDPR" training. The second medium risk related to there being no retention schedule for a subset of data and that non-essential identifiable information was being retained. The low risk improvement was in relation to some minor amendments required to the information asset register.							

Leaseholder Charges	Operational (SD Adults, Housing & Communities)	Limited Assurance	2	-	1	1	-
Scope of Audit:	Management information is produced, planning schemes, issuing of Section 20 notices, communal areas of housing stock are maintained and costs are apportioned correctly and annual service charges.						
The high risk exception relates to costs attributed to leaseholder properties not being recovered from the leaseholders under the Section 20 process resulting in a loss of £61,258.59 to the authority between 1 st April 2017 and 21 st March 2018. The low risk improvement exception relates to there being no formal reporting to board or committees relating to leaseholder estimates and charges.							
Child Sexual Exploitation & Missing Persons	Operational (SD Children and Families)	Limited Assurance	3	-	1	2	-
Scope of Audit:	Council strategy, single assessments, CIN plans follow a single assessment, CIN plans are reviewed on a regular basis, transfer of information is GDPR compliant, appropriate manager oversight.						
The high risk exception relates to 8/10 missing episodes of children failed to have an independent return interview within 72 hours as per government guidance. Furthermore, for 10 missing children/young persons under the care of the authority but looked after outside the city radius 3/10 interviews were conducted after the 72 hour timeframe and for 5/10 an interview could not be evidenced. The first medium risk relates to 1/5 persistent missing episodes not having a multi-agency meeting convened and there being no regular internal reports produced to track and monitor 3 missing episodes per child in 90 days. The other medium risk exception relates to there being a lack of specialist training that the service required in order to meet the demands of upcoming legislation and/or trends, for example, further knowledge development in relation to child criminal exploitation.							

Completed Follow up Audits between 31st January and 31st March 2019

	Project Name	Follow Up Opinion	Original Opinion	Original Number of Issues /Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk	Follow Up Planned
1.	Income & Collection Sites	Reasonable Assurance	Limited Assurance	5	-	2	2	1	N/A
	Scope of Follow Up:	Vault box verification at Itchen Bridge, the Itchen Bridge system and manager oversight, cash safes at collection sites, procedure notes at the bulk cash office and backup receipting at the register office.							
	Summary of Follow Up:	Follow up testing demonstrated that progress had been made on the risks highlighted in the original report. Four exceptions have been closed and verified while one remains in progress relating to inaccurate system reports.							
	Risk	Original Issue							Status
	High	The first high risk related to there being no independent verification taking place to ensure that the number of vault boxes pulled from the toll machines was the same amount collected.							Closed and Verified
	Follow up Testing								
	The new process requires the vault receipts to be provided to bulk collection along with the physical vaults. Due to the vault receipts being numbered sequentially any gaps would indicate a missing vault box. Additionally, 30 vaults have been ordered through the supplier to ensure the vaults are never opened at the toll plaza.								
	High	The second high risk related to revenue reports not being accurate and a lack of management oversight into the differences between expected and banked income. Over a twelve day period, 11 vault boxes had a difference of over £15 with differences being as high as £137.80 and £51.50.							In Progress
	Follow up Testing								
	New servers have been installed however issues remain with the accuracy of the revenue report and there has been limited improvement in the accuracy of data produced, confirming income to that which is banked. A log of differences is now being maintained and since the 19 th August 2018, there has been 159 instances where income was £10 less than expected.								
	Medium	The first medium risk related issues with cash safes. The Register Office stored money in an insufficient cash box and the Itchen Bridge and Licensing safes held obsolete items.							Closed and Verified
	Follow up Testing								
	A replacement safe has been installed at the Register Office and is now used to store daily cash and the float. The safes at Itchen Bridge and the Licensing Office have been cleared of obsolete items.								
	Medium	The second medium risk related to the procedure notes at the Bulk Cash Office requiring updating as they had been created in 2014 and there didn't reflect current practices.							Closed and Verified
	Follow up Testing								

	Project Name	Follow Up Opinion	Original Opinion	Original Number of Issues /Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk	Follow Up Planned
	The procedure documentation was updated to reflect current practices, including income collection during weekdays and the weekends, counting cash procedures and how differences should be documented.								
	Low Risk - Improvement	The low risk improvement relates to informally receipting being issued during system outages.						Closed and Verified	
	Follow up Testing								
	A receipt book was purchased through Capita Print Services who made it a stock item for future orders.								
2.	Tranman	Reasonable Assurance	Limited Assurance	3	-	2	1	-	N/A
	Scope of Follow Up:	Driver licence checks process, Tranman system administration and stock inventories including the annual stock take.							
	Summary of Follow Up:	Follow up testing demonstrated that progress had been made on the risks highlighted in the original report. One high risk and one medium risk have been closed, while driver licence checks remains open until a new process is determined.							
	Risk	Original Issue						Status	
	High	The first high risk related to 36 drivers not completing a D796 forms meaning driver licence checks could not be undertaken.						In Progress	
	Follow up Testing								
	The Driver Licence Check Service has since been decommissioned which meant at the time of testing the Fleet Compliance Manager required a check code every time to complete a check. At the time of testing 216 out of 744 drivers had a licence check date of 2018 however a number of these had left the authority. The total number of drivers outstanding had not been established.								
	High	The second high risk related to the Tranman fleet management system not being adequately administered. Users had the ability to approve and adjust stock which they didn't require as part of their roles.						Closed and Verified	
	Follow up Testing								
	Users system access is now correctly administered in relation to approve order and stock adjustment privileges.								
	Medium	The medium risk relates to 12/25 stock item quantities being inaccurate and the annual stock take had missed its annual review date.						Closed and Verified	
	Follow up Testing								
	The stocktake took place in September 2018 and saw a reduction in stock value of £12,558.86, of this £3903.38 could be disregarded as the stock has been transferred over to Agresso and was therefore written off Tranman.								

	Project Name	Follow Up Opinion	Original Opinion	Original Number of Issues /Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk	Follow Up Planned
3.	Out of City Placements – Special Educational Needs	Reasonable Assurance	Limited Assurance	3	-	3	-	-	N/A
	Scope of Follow Up:	Current education, health and care plans, policy for shared costs placements, payments of invoices and monitoring spend.							
	Summary of Follow Up:	Follow up testing reviewed two high risk exceptions which have been closed and verified and one high risk exception which has been closed but not verified and will be reviewed under the payables audit.							
	Risk	Original Issue							Status
	High	The first high risk related to a lack of current Education, Health and Care plans in place for 3 out of the 10 pupils selected.							Closed and Verified
	Follow up Testing								
	For the 6 pupils selected for follow up reviews, current EHC Plans were in place for all pupils.								
	High	The second high risk related to a lack of documented policy or guidance for identifying how payments are split between services.							Closed and Verified
	Follow up Testing								
	From 5 pupil files tested, four were not applicable to be discussed at Multi Agency Resource Panel (MARP), one pupil case found MARP meeting notes discussing the payment split between services.								
	High	The third high risk relates to invoices for out of city placements not being checked for accuracy and to ensure the pupil was still in placement.							Closed but Not Verified
	Follow up Testing								
	The system allows for the goods received box to be bypassed, this will be picked up as part of the 2018/19 Payables audit.								
4.	Health & Safety – Framework & Monitoring	Limited Assurance	Limited Assurance	5	-	5	-	-	N/A
	Scope of Follow Up:	Reviewing safe working procedures, risk assessment reviews, accident/incident reporting follow-ups, program of inspection and self-audits and corporate oversight.							
	Summary of Follow Up:	Progress has been made in a number of areas, however the exceptions remain open or in progress. Some original actions have been reconsidered and alternative options are yet to be determined.							
	Risk	Original Issue							Status
	High	The first high risk related to 12/15 safe working procedures having exceeded their review date.							In Progress

	Project Name	Follow Up Opinion	Original Opinion	Original Number of Issues /Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk	Follow Up Planned	
	Follow up Testing									
	The two-year rolling program of SWP reviews is on target and progress has been made. Quarterly progress is reported to the Health & Safety Board as evidenced by board meeting minutes.									
	High	The second high risk related to there being 151 overdue fire risk assessment reviews with 932 overdue risk assessment actions of which 801 were categorised as high/medium priorities.						In Progress		
	Follow up Testing									
	In January 2018 there were a total backlog of 1939 outstanding fire risk assessment actions as at 31 st December 2018 these has reduced to 1344. During the year 2176 actions were closed and 1344 remained open. Furthermore, testing identified there is no current visibility on current actions being undertaken for risk assessment reviews as this has not been requested by the Health & Safety Board.									
	High	The third high risk relates to 7/15 (803 total) accidents and incidents tested failed to comply with timely reporting practices.						In Progress		
	Follow up Testing									
	A pending status report is currently in draft and will be taken to Joint Consultative Groups. A report of January 2017 to January 2018 accidents and incidents was generated from the Health and Safety management system which found from 905 cases, 446 had been closed, 336 were pending and 3 were open. Therefore there was an 8% increase in closed cases compared to last year's results. Additionally in reviewing a sample of 5 recent minor injuries/no lost time incidents reports found prompt reviews were completed and closed.									
	High	The fourth high risk related to there no being a program of inspection for council building inspections and council maintained schools.						In Progress		
	Follow up Testing									
	Structured inspections and audit days are being utilised, monitored and where appropriate reported to necessary audiences. It was evidenced that the 'self-audits' for non-school areas were not chased up on as they did not provide enough information on the risks the service area was exposed to. The agreed action has been reassessed.									
	High	The final high risk related to a corporate processes lacking in consistency and transparency within the three main service areas. Local H&S managers were not on the H&S board.						Open		
	Follow up Testing									

	Project Name	Follow Up Opinion	Original Opinion	Original Number of Issues /Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk	Follow Up Planned
	The Health & Safety Manager put forward the proposal to have the two local Health & Safety Managers (Housing and City Services) attend the board to provide assurance from their areas. This was rejected as it was decided the board should focus on strategic issues'. The lack of transparency at a board level for all areas across the authority remains, therefore the exception remains open.								
5.	Children's Safeguarding – Information Management	Assurance	Limited Assurance	2	-	1	1	-	N/A
	Scope of Follow Up:	Permission to share and the information recorded for potential safeguarding children cases.							
	Summary of Follow Up:	The high and medium risks have been implemented and are fully effective in mitigating the risks raised during the original audit. Internal Audit can give assurances that information management for children's safeguarding is of low risk.							
	Risk	Original Issue							Status
	High	The high risk relates to 2/20 child safeguarding cases did not have a copy of a permission to share form on record, and 1/20 was present but did not include any names of the children of the family.							Closed and Verified
	Follow up Testing								
	All cases which were expected to have a permission to share form on record at the time of testing was completed.								
	Medium	The medium risk related to for 1/20 cases insufficient information on a Section 47 enquiry in Paris notes on the action taken, or not taken.							Closed and Verified
	Follow up Testing								
	A review was undertaken on the case identified, and it was confirmed that the Paris system has been completed and updated with all details accordingly to show the case is now closed.								
6.	Water Quality	Limited Assurance	Limited Assurance	5	-	3	2	-	N/A
	Scope of Follow Up:	Responsible persons, housing faults and repairs review, training requirement and completion, water quality monitoring and corporate risk assessments.							
	Summary of Follow Up:	Three open exceptions have formed part of a Capita review and its recommendation should contribute to mitigate the risks highlighted. Until the future direction/makeup of water quality systems is completed Internal Audit can only offer limited assurance that Water Quality monitoring is of low risk to the authority.							
	Risk	Original Issue							Status

	Project Name	Follow Up Opinion	Original Opinion	Original Number of Issues /Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk	Follow Up Planned
	High	The first high risk related to there being no monitoring of water quality issues following faults or repairs at housing properties. Additionally there was no consistent process in place to ensure issues were reviewed and rectified.						In Progress	
	Follow up Testing								
	The repairs process was changed so that faults are recorded on fault sheets and not through Total. Testing a sample of 10 fault sheets found that 8/10 had been completed. Relevant staff were aware of the two other faults and the reasons why.								
	High	The second high risk related to the training requirements in the Safe Working Procedures were lacking detail and there was no set training requirement for key roles.						In Progress	
	Follow up Testing								
	The training requirements have not been updated due to them being placed on hold during the Capita review.								
	High	The third high risk related to 4/6 current SCC corporate properties that had an active water quality related task did not have a current or up to date risk assessment.						Closed and Verified	
	Follow up Testing								
	These 4 risk assessments have since been completed.								
	Medium	The first medium risk related to 6/11 sites visited (7 corporate, 4 housing) did not have an up to date responsible and deputy responsible person.						Closed and Verified	
	Follow up Testing								
	The decision to fill the roles was taken by the Water Quality Management Group in January 2019 and the structure diagram has been updated accordingly.								
	Medium	The second medium risk related to Shirley Local Housing Office/Library having monthly water quality monitoring visits from both Housing Operatives and the Capital Assets contractor.						In Progress	
	Follow up Testing								
	Reviewing the housing scheduling spreadsheet, visits to Shirley Housing Office are no longer scheduled. The Risk & Compliance manager will take the lead on identifying other areas of duplication, however the post is currently still vacant.								
7.	Social Media	Reasonable Assurance	Limited Assurance	4	-	3	1	-	N/A
	Scope of Follow Up:	Corporate guidance on social media surveillance, central record of website visits, department training and social media surveillance accounts.							

	Project Name	Follow Up Opinion	Original Opinion	Original Number of Issues /Exceptions	Critical Risk	High Risk	Medium Risk	Low Risk	Follow Up Planned
	Summary of Follow Up:	Significant progress has been made centrally on the risks identified in the original audit report. The improved framework will rely on authorising officers and management to ensure the message has filtered down fully to relevant staff members and be acted upon to prevent any further instances of non-compliance. The revised assurance level of reasonable reflects progress made overall.							
	Risk	Original Issue							Status
	High	The first high risk related to the published guidance addressed covert surveillance involving social media sites however this did not provide wider details in regards to the appropriate frequency of social media profile viewings.							Closed and Verified
	Follow up Testing								
	The annually revised corporate surveillance guidance had been enhanced to provide greater clarity to members of staff including various examples of where initial examination might cross over to directed surveillance.								
	High	The second high risk related to there being no central log on the surveillance undertaken by departments.							Closed and Verified
	Follow up Testing								
	A central log is currently being held by the Corporate Legal Team and access is available to all authorising officers via share point. The existence of this log has been communicated to staff members via training and is detailed on the updated guidance.								
	High	The third high risk related to 3 operational teams across 3 directorates using social media for some form of surveillance without any training.							In Progress
	Follow up Testing								
	Four workshops were arranged for the Leadership Group as well as frontline staff. The register shows 39 members of staff across 15 operational teams and 7 directors attended these workshops. It was noted however that no staff members from Children and Families attended a workshop, due to this area previously showing non-compliance the exception remains in progress.								
	Medium	The medium risk related to there being no process in place to set up a social media account for surveillance.							In Progress
	Follow up Testing								
	Work in being undertaken to review whether false accounts could be potentially setup without authorisation.								

Audits in Draft Report Stage

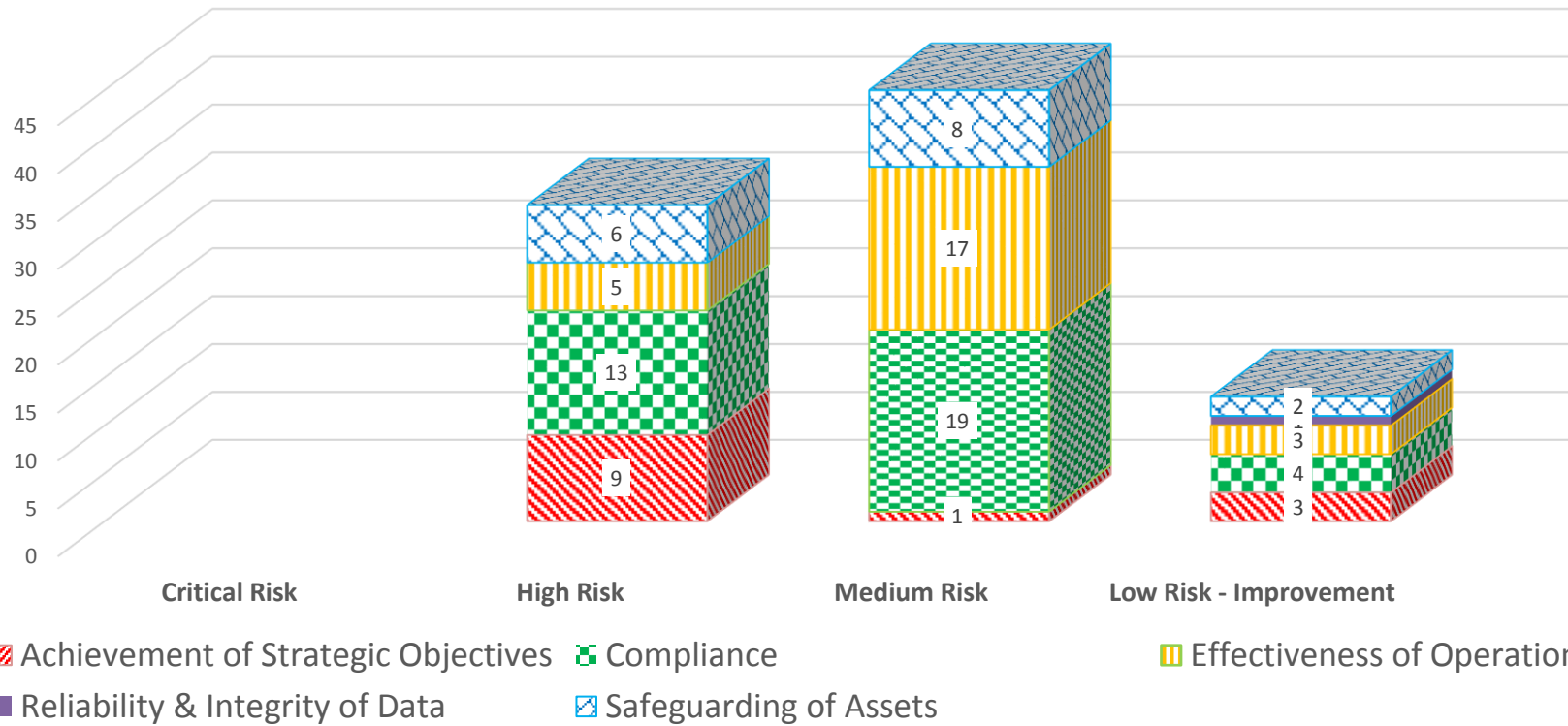
	Project Name	Hub	Project Status	Draft Since	Projected Reporting Date	Revised Reporting Date	Comments
1.	Accounts Receivable	Strategy (SD Finance & Commercialisation)	Draft Report	27/03/2019	10/06/2019		
2.	Tower Blocks	Operational (SD Growth)	Draft Report	27/03/2019	10/06/2019		
3.	CCTV	Operational (SD Growth)	Draft Report	29/03/2019	10/06/2019		
4.	Home to School Transport	Operational (SD Children and Families)	Draft Report	29/03/2019	10/06/2019		
5.	Petty Cash	Strategy (SD Finance & Commercialisation)	Draft Report	29/03/2019	10/06/2019		
6.	Community Infrastructure Levy	Operational (SD Growth)	Draft Report	27/03/2019	10/06/2019		
7.	Procurement	Operational (SD Digital & Business Operations)	Draft Report	22/03/2019	10/06/2019		
8.	Strategic Contract Framework	Operational (SD Digital & Business Operations)	Draft Report	22/03/2019	10/06/2019		
9.	Solicitors Fees & Court Costs	Strategic (SD Legal & Governance)	Draft Report	29/03/2019	10/06/2019		
10.	Annual Gov Statement	Strategy (SD Finance & Commercialisation)	Draft Report	29/03/2019	10/06/2019		
11.	ICU Contract Management	Strategy (SD Quality & Integration)	Draft Report	29/03/2019	10/06/2019		
12.	Stock Condition	Operational (SD Growth)	Draft Report	29/03/2019	10/06/2019		

Audits in Progress

	Project Name	Hub	Project Status	Delays	Projected Reporting Date	Revised Reporting Date	Comments
1.	Health & Wellbeing Board	Strategy (SD Quality & Integration)	Work in Progress				
2.	Housing Rents and Debt Management	Strategy (SD Finance & Commercialisation)	Work in Progress				
3.	Partnerships	Strategy (SD Finance & Commercialisation)	Work in Progress				
4.	Asbestos	Operational (SD Transactional & Universal)	Work in Progress				
5.	Independent Fostering Agreements	Operational (SD Children and Families)	Work in Progress				
6.	Homelessness and Prevention	Operational (SD Adults Housing & Communities)	Work in Progress				
7.	Appointeeship	Operational (SD Adults Housing & Communities)	Work in Progress				
8.	Housing Depot	Operational (SD Adults Housing & Communities)	Work in Progress				
9.	Asset Management	Operational (SD Growth)	Work in Progress				
10.	Events	Strategy (SD Intelligence & Business Insight)	Work in Progress				
11.	Back up and Disaster Recovery	Operational (SD Digital & Business Operations)	Work in Progress				

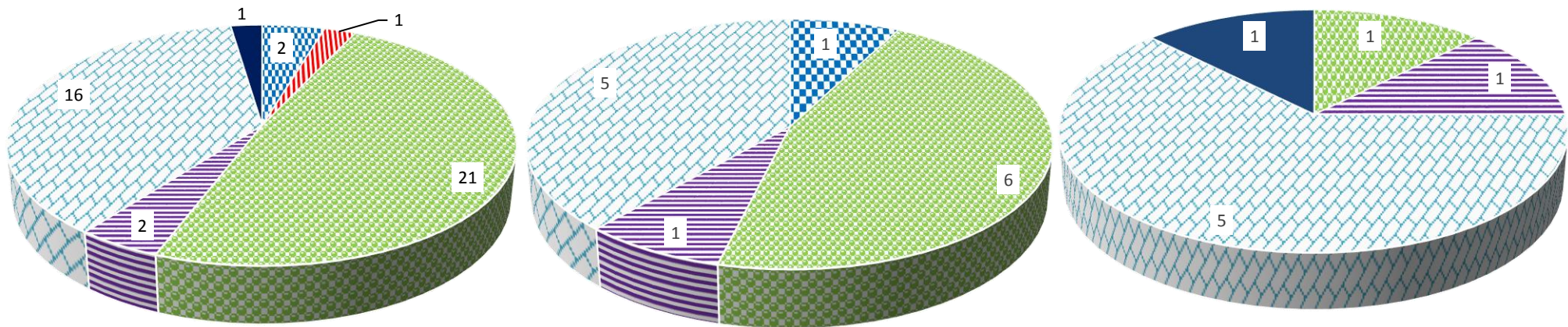
	Project Name	Hub	Project Status	Delays	Projected Reporting Date	Revised Reporting Date	Comments
12.	Mobile Devices	Operational (SD Digital & Business Operations)	Work in Progress				
13.	IT Licence Management	Operational (SD Digital & Business Operations)	Work in Progress				
14.	Data Management	Operational (SD Digital & Business Operations)	Work in Progress				
15.	Leisure Contract	Operational (SD Digital & Business Operations)	Work in Progress				
16.	Accounts Payable	Operational (SD Finance & Commercialisation)	Work in Progress				
17.	Learning & Development	Strategy (SD HR & OR)	Work in Progress				
18.	British Gas Contract	Operational (SD Adults Housing & Communities)	Work in Progress				

Exception Analysis to date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						0
High Risk	9	13	5		6	33
Medium Risk	1	19	17		8	45
Low Risk - Improvement	3	4	3	1	2	13
Grand Total	13	36	25	1	16	91

Follow Up Analysis



High Risks

Medium Risks

Low Risks

- Open
- In Progress
- Closed – Verified
- Pending
- Implemented but not effective
- Closed – Management Accepts Risk

	Open	Pending	In Progress	Implemented but not effective	Closed – Verified	Closed – Not Verified	Closed – Management Accepts Risk	Closed – No Longer Applicable
Critical Risk								
High Risk	2	1	21	2	16	1		
Medium Risk	1		7	1	10			
Low Risk			1	1	6		1	
Grand Total	3	1	29	4	32	1	1	

The Internal Audit Service follows up all audits where at least 1 high risk exception has been raised. These audits are followed up in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within 3 months due to the potential severity of the risks identified. The overall position of the exceptions followed up currently through 2018/19 shows that 45% have been closed and verified by audit, however 55% remain open and or are in progress.

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Agenda Item 7

DECISION-MAKER:		GOVERNANCE COMMITTEE	
SUBJECT:		ANNUAL INTERNAL AUDIT PLAN 2019-20	
DATE OF DECISION:		15 APRIL 2019	
REPORT OF:		CHIEF INTERNAL AUDITOR	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Elizabeth Goodwin	Tel: 023 8083 4616
	E-mail:	Elizabeth.Goodwin@southampton.gov.uk	
Director	Name:	John Harrison	Tel: 023 8083 4897
	E-mail:	John.Harrison@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
N/A			
BRIEF SUMMARY			
<p>On an annual basis the Chief Internal Auditor is required to produce an Annual Plan that translates into a schedule of audit assignments. The plan defines the areas and potential scope inclusion and must provide a sufficient review of the Authority's functions in order to form an annual opinion on the effectiveness of the control framework. The plan must be proportionate to the risk exposure and appropriately aligned to the strategic objectives of the Council.</p> <p>With effect from 1st April 2017 the internal audit & counter fraud function has been delivered in collaboration with Portsmouth City Council (PCC) under the direction and control of the shared Chief Internal Auditor (the Chief Internal Auditor for PCC). The 2019-20 Annual Audit Plan will be reviewed quarterly and if required represented to this committee.</p>			
RECOMMENDATIONS:			
	(i)	That the Governance Committee approves the provisional Annual Internal Audit Plan for 2019-20 as attached.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	In accordance with internal audit practices and protocol, the Governance Committee is required to approve, but not direct the annual audit plan for Internal Audit & Counter Fraud.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None		
DETAIL (Including consultation carried out)			
3.	The provisional Internal Audit Plan for 2019-20 has been discussed with individual members of the Council's Management Team.		
RESOURCE IMPLICATIONS			
<u>Capital/Revenue</u>			
4.	The proposed plan is within existing resource allocations for the internal audit service.		

<u>Property/Other</u>	
5.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
6.	The Accounts and Audit (England) Regulations 2015 state 'a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards.
<u>Other Legal Implications:</u>	
7.	None
RISK MANAGEMENT IMPLICATIONS	
8.	Failure to maintain an effective internal audit functions would result in a failure of the organisation meeting its statutory responsibilities in relation to the Annual Governance Statement and Annual Audit Opinion.
POLICY FRAMEWORK IMPLICATIONS	
9.	None
KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	None
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Annual Internal Audit Plan 2019-20
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Data Protection Impact Assessment	
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at: Internal Audit Office, Civic Centre, Municipal, 1st floor, Rm 219.	
Title of Background Paper(s): 1. Audit Universe	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

Annual Internal Audit Plan 2019/20

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Adults, Housing & Communities

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Right to Buy	Operational (SD Adults Housing & Communities)	1	3	Follow up required on progress to implement agreed actions.
Blue Badge	Operational (SD Adults Housing & Communities)	1	3	Scope to include a review of operational arrangements for administering Blue Badge and countering fraud.
Housing Depot	Operational (SD Adults Housing & Communities)	2,6	1,3	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Leaseholder Charges	Operational (SD Adults Housing & Communities)	1,2	1,3	Follow up required on progress to implement agreed actions.
Voids	Operational (SD Adults Housing & Communities)	1,4,6,7	1,2,3	Scope to include a review of key controls.
Homelessness and Prevention	Operational (SD Adults Housing & Communities)	1,4,5,8	1,2,3	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Direct Payments	Operational (SD Adults Housing & Communities)	1,4,9	3	Scope to include a review of processes from cradle to grave.

Children and Families

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Independent Fostering Agreements	Operational (SD Children and Families)	1,5,10,13	2	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Child Sexual Exploitation & Missing Persons	Operational (SD Children and Families)	5,10	2	Follow up required on progress to implement agreed actions.
Short Breaks	Operational (SD Children and Families)	1,5,10,13	2	Scope to include a review of key controls.
Looked After Children	Operational (SD Children and Families)	1,5,10,13	2	Follow up required on progress to implement agreed actions.
Children in Need	Operational (SD Children and Families)	1,5,10,13	2	Follow up required on progress to implement agreed actions.
Care Leavers	Operational (SD Children and Families)	1,5,10,13	2	Scope to include a review of key controls.
Edge of Care (Family Engagement)	Operational (SD Children and Families)	1,4,5,9,10	2	Scope to include a review of key controls.
Mount Pleasant School	Operational (SD Children and Families)	1,5,10	2	Follow up required on progress to implement agreed actions.
MASH	Operational (SD Children and Families)	1,5,10	2	Scope to include a review of key controls.

Schools (TBC)	Operational (SD Children and Families)	1,5,10	2	Scope to include a review of key governance and operational controls.
Families Matters Grant	Operational (SD Children and Families)	1,5,10	2,3	Grant Certification required quarterly.

Digital & Business Operations

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
IT Application & Operating Systems	Operational (SD Digital & Business Operations)	1,3,11	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Procurement	Operational (SD Digital & Business Operations)	1,2,7,11,13	all	Scope to include a review of compliance to the procurement framework.
Data Management	Operational (SD Digital & Business Operations)	3,7,11	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
License Man IT	Operational (SD Digital & Business Operations)	3,7,11	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
IT Procurement and Disposal	Operational (SD Digital & Business Operations)	1,3,11	all	Follow up required on progress to implement agreed actions.
IT Project	Operational (SD Digital & Business Operations)	1,2,11,13	all	Projects to be determined prior to audit commencing. Scope to focus on project management.
Mobile Devices	Operational (SD Digital & Business Operations)	1,3,11	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Cloud Storage	Operational (SD Digital & Business Operations)	1,3,7,11	all	Scope to include a review of the arrangements for business continuity.

Contract (TBD)	Operational (SD Digital & Business Operations)	1,2,6,7,11,13	all	Contracts audit to be carried out. Contract subject to review will be determined nearer the time.
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Finance & Commercialisation

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Annual Governance Statement	Strategy (SD Finance & Commercialisation)	all	all	Audit Activities feed into the overall assessment. In addition audit carry out a verification of the annual self-assessments submitted by Directors.
Receivable	Strategy (SD Finance & Commercialisation)	1,2,3,7	all	Scope to include a review of key operational controls and data analytics.
Payable	Strategy (SD Finance & Commercialisation)	1,2,3,7	all	Scope to include a review of key operational controls and changes to online & telephone payments.
Business World	Strategy (SD Finance & Commercialisation)	1,2,3,7	all	Consultancy role to evaluate key controls.
Valuation Property Plant & Equipment (Tec forge)	Strategy (SD Finance & Commercialisation)	1,2,3,7	1,3	Scope to include a review of the new arrangements post Business World implementation.
Refunds	Strategy (SD Finance & Commercialisation)	1,2,7	1	Scope to include a review of key authorisation controls/ processes and integrity of data.
Partnerships	Strategy (SD Finance & Commercialisation)	all	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
PUSH	Strategy (SD Finance & Commercialisation)	1,2	1	Grant Certification

Treasury Management	Strategy (SD Finance & Commercialisation)	1,2,7	all	Scope to include a review of key controls..
Insurance	Strategy (SD Finance & Commercialisation)	1,2,7	all	Scope to include a review of key controls..
Purchasing Cards	Strategy (SD Finance & Commercialisation)	1,2,7	all	Scope to focus on compliance with Financial Rules.
Petty Cash	Strategy (SD Finance & Commercialisation)	1,7	all	Scope to focus on compliance with Financial Rules.
Council Tax	Strategy (SD Finance & Commercialisation)	1,2,3,7	all	Scope to include a review of key controls..
NNDR	Strategy (SD Finance & Commercialisation)	1,2,3,7	all	Scope to include a review of key controls.
Bank Account	Strategy (SD Finance & Commercialisation)	1,2,3,7	all	Scope to include a review of key controls.
Housing Benefit	Strategy (SD Finance & Commercialisation)	1,2,3,4,7,8	1,2,3	Scope to include a review of key controls and progress made to implement previously identified issues.
Housing Rents and Debt	Strategy (SD Finance & Commercialisation)	1,2,3,4,7,8	1,2,3	Scope to include a review of key controls..
Business Support	Strategy (SD Finance & Commercialisation)	2,3	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
School's Financial Values Statement	Strategy (SD Finance & Commercialisation)	1,5	2	Verification of the accuracy of the SFVS return for 2019.

Local Authority Bus Subsidy	Strategy (SD Finance & Commercialisation)	1,2,3	all	Grant Certification
Disabled Facilities Grant	Strategy (SD Finance & Commercialisation)	1,4,5	2,3	Grant Certification

Growth

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Asset Management	Operational (SD Growth)	1,2,6,11	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Stock Condition	Operational (SD Growth)	1,2,6,11	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Community Infrastructure Levy	Operational (SD Growth)	1,11	1,4	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Regeneration Projects	Operational (SD Growth)	1,11	all	Follow up required on progress to implement agreed actions.
Water Quality	Operational (SD Growth)	6	3	Scope to include a review of key controls against statutory requirements.
Museums (i.e. SeaCity)	Operational (SD Growth)	1,6,11	all	Scope to include a review of the operational arrangements in relation to stock, inventory and income.
Project (TBD)	Operational (SD Growth)	1,11,13	all	Review to select a project within Growth and perform a review of the project governance arrangements.

Human Resources & Organisational Development

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Learning & Development	Strategy (SD HR & Organisational Development)	1,2,6,7,11,13	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Apprenticeships	Strategy (SD HR & Organisational Development)	1,2,6,7,8,11	all	Follow up required on progress to implement agreed actions.
Agency / Temps	Strategy (SD HR & Organisational Development)	1,2,6,7,8,11	all	Follow up required on progress to implement agreed actions.
Health and Safety	Strategy (SD HR & Organisational Development)	1,4,5,6,7,11	all	Scope to include a review of key controls post CAPITA transfer.
Recruitment and Retention	Strategy (SD HR & Organisational Development)	1,2,8,11	all	Scope to include a review of key processes post transfer to in house arrangements.
Expenses Travel & Subsistence	Strategy (SD HR & Organisational Development)	1,7,8,11	all	Scope to include a review of compliance with Financial Regulations.
Payroll	Strategy (SD HR & Organisational Development)	1,3,7,8,11	all	Scope to include a review of key controls over the administration of pay and rations.

Intelligence & Business Insight

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Business Plans	Strategy (SD Intelligence & Business Insight)	all	all	Scope of the review to include embedding of revised business planning process and links to outcome based planning and budgeting.
Events	Strategy (SD Intelligence & Business Insight)	1,6,11	all	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Customer Services	Strategy (SD Intelligence & Business Insight)	7,8,11	2,3,4	Scope to include a review of key operational controls and service delivery post Capita Transfer.
NHS Digital Submission	Strategy (SD Intelligence & Business Insight)	7	2,3	Data sharing verification required.

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Legal & Governance

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Elections	Strategy (SD Legal & Governance)	7,11	all	Scope to include a review of key controls.
Solicitors Fees and Court Costs	Strategy (SD Legal & Governance)	7,8	2,3	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Ethics	Strategy (SD Legal & Governance & SD HR & Organisational Development)	1,11,13	all	Follow up required on progress to implement agreed actions.

Public Health

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Substance Misuse	Strategy (SD Public Health)	1,4,5	2,3,4	Scope to include a review of contract monitoring arrangements.
Sexual Health Contract	Strategy (SD Public Health)	4,5,9,10	3	Follow up required on progress to implement agreed actions.
Public Health Outcomes	Strategy (SD Public Health)	1,4,5,11	2,3,4	Scope to focus on evidence supporting delivery of PHO in non PH areas where PH Grant has been used.

Quality & Integration

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Health & Wellbeing Board	Strategy (SD Quality & Integration)	4,5,9,10	2,3	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
Better Care Fund	Strategy (SD Quality & Integration)	2,4,5,9,10	2,3	Scope to be determined following discussion with CCG audit team to ensure no duplication.
ICU Contract Management	Strategy (SD Quality & Integration)	2,4,5,9,10	2,3	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.
ICU Quality Monitoring	Strategy (SD Quality & Integration)	2,4,5,9,10	2,3	Scope to include a review of key controls.

Transactional & Universal Services

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
Community Funerals	Operational (SD Transactional & Universal)	1,7	3	Follow up required on progress to implement agreed actions.
Waste Operations	Operational (SD Transactional & Universal)	1,2,6,11,13	all	Scope to include a review of performance and key controls.
Trees Income Collection	Operational (SD Transactional & Universal)	1	4	Scope to include a review if income management.
HMO Licensing	Operational (SD Transactional & Universal)	1,2,6	1,3,4	Scope to include a review of key controls post legislative changes.
Pest Control	Operational (SD Transactional & Universal)	6	2,3,4	Follow up required on progress to implement agreed actions.
Flood Risk Management	Operational (SD Transactional & Universal)	1,6	all	Scope to include a review of key arrangements and statutory requirements.
Port Health	Operational (SD Transactional & Universal)	1,6	all	Scope to include a review of key controls and arrangements.
Parking (Income Collection)	Operational (SD Transactional & Universal)	1	all	Scope to include a review of income collection and machine maintenance.
Asbestos	Operational (SD Transactional & Universal)	1,6	1,2,3	Follow up required on progress to implement agreed actions. Subject to the outcome of the 2018/19 audit.

Additional Audit Days Allocated

Audit	Audit Sponsor	Strategic Risk Registers	Corporate Outcome	Provisional Scope
National Fraud Initiative (NFI)	All	-	-	-
Investigations	All	-	-	-
Advice	All	-	-	-

Strategic Risks

1. Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to reflect key strategic outcomes and be aligned with the associated budget envelopes.
2. Major incident or service disruption (including serious health protection threats) leading to delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions.
3. Failure to safeguard vulnerable adults resulting in a preventable incident.
4. Failure to safeguard children resulting in a preventable incident.
5. Failure to meet our health and safety responsibilities.
6. Failure to ensure the City Council's information is held and protected in line with Information Governance policies and procedures.
7. The council is unable to respond appropriately or sufficient quickly to significant changes in service demand arising from changes in the welfare system.
8. Delivery of services via 'alternative service delivery models' fails to deliver the required outcomes in terms of sustainability and cost effectiveness.
9. Failure to ensure an effective and sustainable adult social care system.
10. Failure to ensure an effective and sustainable children's social care system.
11. The impact of organisational change and service redesign solutions, whilst delivering savings, create other unplanned for pressures and challenge.

Corporate Outcomes

1. Southampton is a city with strong and sustainable economic growth.
 - a) We will increase the number and improve the mix of housing in the city.
 - b) We will create opportunities for local people to develop skills, to make the best of employment opportunities.
 - c) We will work with others to reduce the wage gap between residents and commuters into the city.
 - d) We will increase investment into the city.
2. Children and young people in Southampton get a good start in life.
 - a) We will improve early help services and support the children and families.
 - b) We will increase education attainment.
 - c) We will reduce the number of children looked after by the council, and children in need.
 - d) We will protect vulnerable children and young people.
3. People in Southampton live safe, healthy, independent lives.
 - a) We will increase the proportion of social care service users receiving direct payments, so that service users have more choice and control.
 - b) We will improve housing quality and reduce fuel poverty.
 - c) We will improve air quality.
 - d) We will improve vulnerable adults and enable people to live independently.
4. Southampton is a modern, attractive city where people are proud to live and work.
 - a) We will keep our city clean.
 - b) We will ensure roads and pavements are maintained.
 - c) We will strengthen and develop community groups.
 - d) We will increase pride in our city by ensuring there is a vibrant and diverse cultural, entertainment and leisure offer.

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DECISION-MAKER:		GOVERNANCE COMMITTEE	
SUBJECT:		EXTERNAL AUDIT PROGRESS REPORT FOR THE YEAR ENDING 31 MARCH 2019	
DATE OF DECISION:		15 APRIL 2019	
REPORT OF:		EXTERNAL AUDITOR	
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	DAVID WHITE	Tel: 02380 382042
	E-mail:	dwhite@uk.ey.com	
Director	Name:	HELEN THOMPSON	Tel: 02380 382009
	E-mail:	hthompson2@uk.ey.com	
STATEMENT OF CONFIDENTIALITY			
N/A			
BRIEF SUMMARY			
The external auditor's plan, taken to the February 2019 Governance Committee, set out how we would carry out our responsibilities. This report provides an update on our progress.			
RECOMMENDATIONS:			
	(i)	The Governance Committee is invited to comment on and note External Audit Progress Report for the Year Ending 31 March 2019, as attached.	
REASONS FOR REPORT RECOMMENDATIONS			
1.	Issued in accordance with the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.		
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED			
2.	None		
DETAIL (Including consultation carried out)			
3.	The External Audit Progress Report for the Year Ending 31 March 2019 has been provided to relevant senior managers for comment.		
RESOURCE IMPLICATIONS			
<u>Capital/Revenue</u>			
4.	N/A		
<u>Property/Other</u>			
5.	N/A		
LEGAL IMPLICATIONS			
<u>Statutory power to undertake proposals in the report:</u>			

	Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements	
<u>Other Legal Implications:</u>		
6.	N/A	
RISK MANAGEMENT IMPLICATIONS		
7.	N/A	
POLICY FRAMEWORK IMPLICATIONS		
8.	N/A	
KEY DECISION?		No
WARDS/COMMUNITIES AFFECTED:		N/A
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	External Audit Progress Report for the Year Ending 31 March 2019	
Documents In Members' Rooms		
1.	None	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at: N/A		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	N/A	

Southampton City Council Audit progress report

Year ended 31 March 2019
April 2019

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April 2019



Governance Committee Members
Southampton City Council
Civic Centre
Southampton, Hampshire, SO14 7LY

Dear Governance Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Committee with an overview of our progress against the Council's 2018/19 audit plan, reported to you in February 2019. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson

For and on behalf of Ernst & Young LLP

Enc

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02 Timetable for remainder of audit



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance Committee and management of Southampton City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance Committee, and management of Southampton City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance Committee, and management of Southampton City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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01 Progress Update



Progress on 2018/19 Audit

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Governance Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
Walkthroughs of key systems	Completed (other than year-end elements)	<ul style="list-style-type: none"> - Accounts receivable - Council Tax - Financial Statement Close Process and Journals - Housing Benefits - Housing Rents - Non Domestic Rates - Payroll - Pensions - Property, Plant and Equipment - Purchase to pay - Treasury Management <p>There are no significant issues to draw to the attention of the Governance Committee at this stage.</p>
	In progress	<ul style="list-style-type: none"> - Income Collection and banking - this walkthrough had to be postponed due to illness of an EY team-member. A revised appointment for the walkthrough is in the process of being agreed.
Meetings with management	Ongoing	We have held regular meetings with management, to understand current issues, update on audit progress, and to plan for the year-end. We will maintain this approach going forward.

Progress on 2018/19 Audit

The following 'dashboard' summarises the progress of the 2018/19 audit after our interim audit visit. It seeks to provide the Governance Committee with an overview of the progress of the audit to date, and any issues arising.

Audit Area	Status	Details
<p>Interim substantive testing</p> <p>Testing has covered months 1-9. Work will be done during our year-end visit to top-up month 12, and to cover the remaining areas of the financial statements.</p>	Completed	<ul style="list-style-type: none"> - Council tax precepts - Exit packages - Revenue grants - Housing benefit parameters - Group assessment - Restatement of CIES and EFA - Accounting policies - Contracts - Minute review - General audit procedures <p>There are no significant issues to draw to the attention of the Governance Committee at this stage.</p>
	In progress	<ul style="list-style-type: none"> - Property, plant and equipment (PPE) valuations (area of risk from audit plan) - PPE additions and disposals (area of risk from audit plan) - Business rates income - Payroll expenditure - Journal entries (area of risk from audit plan) - CIES Income - CIES Expenditure <p>There are no significant issues to draw to the attention of the Governance Committee at this stage.</p>
Other risks in our audit plan	Work will be performed at year-end	<p>Work was in progress at the time of our interim audit visit on the working papers to support the Council's IFRS 9 and 15 assessments, and on the adjustments to PFI disclosures arising from our findings in 2017/18. As such, we will need to carry out our work in these areas at the year-end.</p> <p>The IAS19 report from the actuary, to support the pension disclosures in the Council's accounts, was not available at the time of our interim visit. This is as expected and consistent with the annual timetable for IAS19 reporting. As such, we will need to carry out our work in this area at the year-end.</p>

Progress on 2018/19 Value for Money Conclusion

The following 'dashboard' summarises the progress of our 2018/19 VFM work after our interim audit visit. It seeks to provide the Governance Committee with an overview of the progress of the work to date, and any issues arising.

Audit Area	Status	Details
Value for Money Conclusion - Compliance with both procurement and contracting policies as part of a sound system of internal control.	In progress	<ul style="list-style-type: none">- We have maintained an awareness of internal reporting on progress against the recommendations of internal and external audit from 2017/18.- We are awaiting the outcome of internal audit's follow-up work in 2018/19, to inform our considerations.- We will report our conclusions to the Governance Committee



02

Timetable





Audit timetable

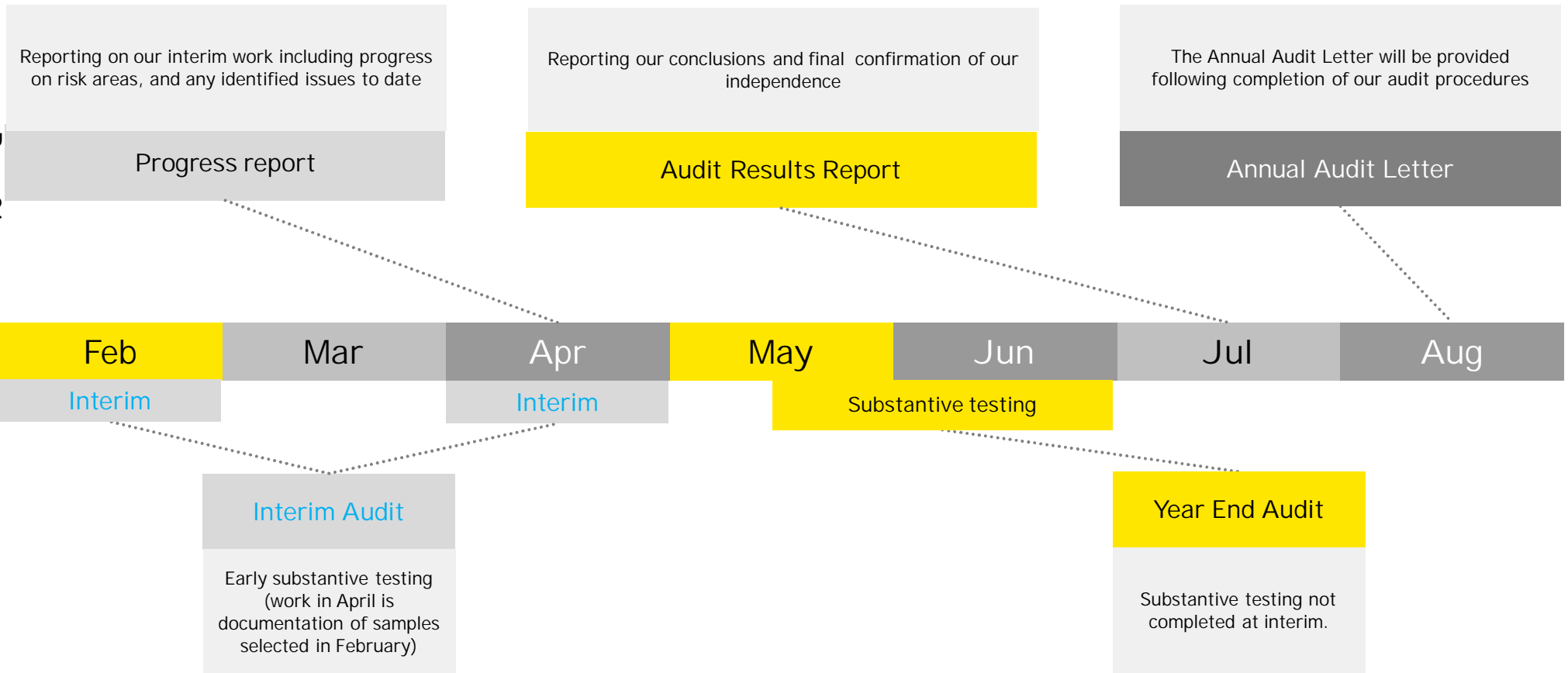
Timetable of communication and deliverables

Timeline

Below is a timetable for the remainder of the 2018/19 audit and the deliverables we have agreed to provide to you in this part of the audit cycle for 2018/19.

From time to time matters may arise that require immediate communication with the Governance Committee and we will discuss them with the Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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Agenda Item 9

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	PROJECT AND PROGRAMMES OVERVIEW - QUARTERLY REPORT		
DATE OF DECISION:	15 APRIL 2019		
REPORT OF:	INTERIM DIRECTOR FINANCE AND COMMERCIALISATION		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Munira Holloway	Tel: 023 804476
	E-mail:	Munira.holloway@southampton.gov.uk	
Director	Name:	John Harrison	Tel: 023 804897
	E-mail:	John.harrison@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
None	
BRIEF SUMMARY	
The report is a summary of key corporate projects and programmes in formal stages of project governance as reported to the Council Management Team (CMT) Programme Board. A further oral update will be provided at the meeting given the ongoing movement, progress and nature of the projects.	
RECOMMENDATIONS:	
(i)	Report to be noted.
REASONS FOR REPORT RECOMMENDATIONS	
1.	In order to inform the Governance Committee of the status of significant projects.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	None
DETAIL (Including consultation carried out)	
3.	<p>The purpose of the CMT Programme Board is as follows:-</p> <ul style="list-style-type: none"> • To act as a gateway review point for Justify and Design stages of project governance. • To monitor specific key programmes against agreed milestones and outcomes. • To resolve escalated conflicts between programmes. • To review agreed priorities against progress and pipeline to support delivery and BAU capacity. • To assess project success and benefits realisation at appropriate points including after formal project close

4.	<p>RAG status definitions</p> <p>Red: Outside agreed parameters, Amber: At risk, Green: On track</p> <p>6 projects currently RAG status green</p> <p>6 projects currently RAG status amber</p>
5.	<p>Clean Air Zone</p> <p>Project stage: Design</p> <p>Review of measures to be undertaken in Southampton to achieve compliance with air quality standards in accordance with EU requirements.</p> <p>Project status: Green (on track)</p>
6.	<p>Kentish Road redevelopment</p> <p>Project stage: Design</p> <p>Redevelop the site at Kentish Road ensuring the building and space of the site provide a better return and opportunities to Adult Social Care</p> <p>Project Status: Green (on track)</p>
7.	<p>Customer Relationship Management system</p> <p>Project stage: Design</p> <p>To bring a range of improvements to customers' experience when contacting the council by upgrading the current CRM system and introducing a digital assistant to answer questions on the website.</p> <p>Project status: Green (on track)</p>
8.	<p>Smart ways of working (Phase 1 – Civic centre areas)</p> <p>First part of a wider programme to enable employees to have the capacity, capability & confidence to work anywhere, managers to have the capacity, capability & confidence to manage in a flexible working environment, residential and business customers to have appropriate access when they need services or support, review the property portfolio so it is aligned, and our environments appropriate to achieve our council goals, IT is fit for purpose to enable these goals.</p> <p>Project status: Green (on track)</p>
9.	<p>St Marks School</p> <p>Project stage: Design</p> <p>Demolish the existing primary school at St Marks to allow for the construction of a new All Through School (Primary & Secondary) providing a replacement 24 place nursery and 420 primary spaces which are presently provided at St Marks and build on the same site a new 900 Secondary spaces.</p> <p>Project status: Amber (at risk due to internal resource needed to manage suppliers). Recruitment currently under way with interim options being reviewed.</p>

10.	<p>Adults residential</p> <p>Project stage: Design</p> <p>Closure in principle of Glen Lea home and associated re-provision of care and support for residents at Holcroft House.</p> <p>Project status: Amber (at risk due to staff consultation process). Project is being additionally resourced to meet consultation requirements and regular union engagement is in place.</p>
11.	<p>Townhill Park (Plot 1)</p> <p>Project stage: Delivery</p> <p>Design & Build contract for the delivery of 56 council general needs homes at Affordable Rent (6 houses and 50 flats in one block). Work also includes a new adopted access road, private communal open space for the flats, car parking and landscaping.</p> <p>Project status: Green</p>
12.	<p>Housing Improvement Programme</p> <p>Project stage: Delivery</p> <p>Programme is to reduce costs and improve customer satisfaction and to support the Housing Services strategic vision of “delivering jobs well done, on time, every time”. Initial focus on voids, repairs and rents.</p> <p>Project status: Amber (at risk due to funding requirement for IT and pace of change). Funding requests and business case in progress. Business change activities and management oversight in place to help drive pace of change.</p>
13.	<p>Client Case Management system replacement</p> <p>Project stage: Design</p> <p>Supporting the changes to the way teams work in Adults and Children’s Services through the implementation of a new IT system (Care Director) which will replace PARIS.</p> <p>Project status: Amber (at risk due to system release dates). Detailed planning session with supplier arranged.</p>
14.	<p>Potters Court</p> <p>Project stage: Delivery</p> <p>Existing site at the corner of Wimpson Lane and Romsey Road redeveloped for new build housing. Delivery of 84 “with care” flats and 15 “general needs” flats.</p> <p>Project status: Green</p>
15.	<p>Capita Partnership termination</p> <p>Project stage: Delivery</p> <p>Insourcing of work, services and staff from Capita.</p> <p>Project status: Amber (at risk due to the amount of work still to do with a hard deadline of 22nd July). Resources in place to undertake SCC activities, regular meetings with Capita to ensure progress from all areas.</p>

16.	<p>Business World</p> <p>Project stage: Delivery</p> <p>Changing the way teams work internally, with customers and with schools by improving and streamlining into one core (ERP) system – areas include finance, HR, payroll, e-recruitment and other modules.</p> <p>Project status: Amber (re-baselined from April to October due to slight delay in stabilisation then impacted by the Capita insourcing, school holidays etc). Status held as amber for cautionary purposes, on track for revised dates.</p> <p>Standard project documentation (Plan, ESIA, DPIA, RAID log etc) in situ and updated as standard as part of project governance</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
17.	All implications considered as part of project and managed through project governance.
<u>Property/Other</u>	
18.	All implications considered as part of project and managed through project governance.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
19.	S101 Local Government Act 1972 and S1 Localism Act 2011
<u>Other Legal Implications:</u>	
20.	None
RISK MANAGEMENT IMPLICATIONS	
21.	All implications considered as part of project and managed through project governance.
POLICY FRAMEWORK IMPLICATIONS	
22.	All implications considered as part of project and managed through project governance.

KEY DECISION?	No	
WARDS/COMMUNITIES AFFECTED:	None	
<u>SUPPORTING DOCUMENTATION</u>		
Appendices		
1.	None	
Documents In Members' Rooms		
1.	None	
2.		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		No
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		No
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)	
1.	None	

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