

Governance Committee

Monday, 29th July, 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
Councillor Harwood
Councillor White
Councillor Galton
Councillor Professor Margetts
Councillor Spicer

Contacts

Director of Legal and Governance
Richard Ivory
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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

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.

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

Dates of Meetings: Municipal Year 2019/20

| 2019 | 2020 |
|-------------|-------------|
| 10 June | 10 February |
| 29 July | 20 April |
| 9 September | |
| 11 November | |
| 9 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 - 2)

To approve and sign as a correct record the Minutes of the meeting held on 10th June 2019 and to deal with any matters arising, attached.

5 **ANNUAL GOVERNANCE STATEMENT 2018-19** (Pages 3 - 18)

Report of the Chief Financial Officer seeking approval of the Council's draft Annual Governance Statement 2018-19, attached.

6 **FINANCIAL STATEMENTS FOR 2018/19** (To Follow)

To receive a presentation from the Section 151 Officer and the External Auditors relating to the Financial Statements 2018/19.

7 **ANNUAL INTERNAL AUDIT OPINION 2018-19** (Pages 19 - 42)

Report of the Chief Internal Auditor detailing the Annual Internal Audit Opinion 2018-19, attached.

8 **PROJECTS & PROGRAMMES QUARTERLY REVIEW** (Pages 43 - 48)

Report of Interim Director Finance and Commercialisation detailing the Programme and Projects Quarterly Review, attached.

9 **HR QUARTERLY STATISTICS** (Pages 49 - 56)

Report of the Service Director HR detailing the Quarter 1 Employee Relations Statistics, attached.

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GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON 10 JUNE 2019

Present: Councillors Keogh (Chair), Kataria (minutes 57, 62-65), White, G Galton and Professor Margetts

Apologies: Councillors Harwood

57. **ELECTION OF VICE-CHAIR**

RESOLVED: Councillor Kataria be appointed as Vice-Chair for the 2019/20 Municipal Year.

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

RESOLVED: that the minutes for the Committee meeting on 15th April 2019 and the Extraordinary Meeting on 14th May 2019 be approved and signed as a correct record.

59. **FREEDOM OF INFORMATION, DATA PROTECTION & REGULATION OF INVESTIGATORY POWERS ACTS: ANNUAL REVIEW 2018-19**

The Committee received and noted the report of the Director of Legal and Governance detailing the Freedom of Information, Data Protection and Regulation of Investigatory Powers Acts Annual Review 2018-19. The report provided statistical information for the financial year 2018-19 with regard to information governance and requests received under the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 (EIR), the General Data Protection Regulation (GDPR) and the Council's activity under the Regulation of Investigatory Powers Act 2000 (RIPA).

60. **HR QUARTERLY STATISTICS**

The Committee received and noted the report of the Service Director Human Resources and Organisational Development detailing Quarter 4 2018/9 HR statistics. The Committee requested that in relation to the sickness monitoring that evidence of the action plan that is in place is included in the quarterly reports and that a more detailed sickness specific report be submitted to a future meeting.

61. **REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT OUTTURN 2018/19**

The Committee considered the report of the Interim Service Director of Finance and Commercialisation detailing the review of Prudential Limits and Treasury Management Outturn 2018/19. The Committee also noted that a provisional date for Mandatory Treasury Management for all Elected Members was being sought with Arling Close who were the Local Authority's Treasury Management Advisors.

RESOLVED:

- (i) That the Treasury Management (TM) activities for 2018/19 and the outturn on the Prudential Indicators be noted;
- (ii) That the continued proactive approach to TM had led to reductions in borrowing costs and safeguarded investment income during the year be noted;

- (iii) That the delegated authority to the S151 Officer to make any future changes which benefited the authority and to report back at the next Treasury update be continued;
- (iv) That due to the 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 Full Council.

62. **DRAFT FINANCIAL STATEMENTS FOR 2018/19**

The Committee received and noted the report of the Interim Service Director of Finance and Commercialisation (S151) Officer providing an overview of the 2018/19 Draft Financial Statements in accordance with the Accounts and Audit Regulations 2015. The Committee noted that the Financial Statements 2018/19 were signed by the (S151) Officer on 15 May 2019 which was earlier than the statutory requirement to have the statements signed by the 31 May 2019.

It was also noted that the audited Financial Statements for 2018/19 would be presented to the Committee on 29th July 2019 for approval.

63. **ANNUAL GOVERNANCE STATEMENT**

The Committee received and noted the report of the Interim Service Director Finance and Commercialisation detailing the Annual Governance Statement in accordance with the Accounts and Audit Regulations the Council was required to develop and publish. The Annual Governance Statement reports on the extent to which the Council has complied with its Code of Corporate Governance, including how it had monitored and evaluated the effectiveness of its governance arrangements in the year and on any planned changes in the coming period.

64. **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 1st April to 30th May 2019. The Panel particularly noted the “no assurance” that had been given in relation to the mobile devices audit and the action plan and new policy that had now been put in place to deal with the situation. It was noted that there would be a follow up after October 2019 which was the latest implementation date within the action plan.

65. **EXTERNAL AUDIT FEE LETTER FOR YEAR ENDING 31ST MARCH 2019**

The Committee received and noted the External Audit Fee Letter for the Year Ending 31 March 2020 as detailed in the appendix to the report which confirmed the audit work that was proposed to be undertaken for the 2019/20 financial year at Southampton City Council.

Agenda Item 5

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|---|---|---|--------------------|
| DECISION-MAKER: | | Governance Committee | |
| SUBJECT: | | Annual Governance Statement 2018-19 | |
| DATE OF DECISION: | | 29 th July 2019 | |
| REPORT OF: | | Chief Financial Officer | |
| <u>CONTACT DETAILS</u> | | | |
| AUTHOR: | Name: | Peter Rogers | Tel: 023 8083 2835 |
| | E-mail: | peter.rogers@southampton.gov.uk | |
| Director | Name: | John Harrison | Tel: 023 8083 4897 |
| | E-mail: | john.harrison@southampton.gov.uk | |
| STATEMENT OF CONFIDENTIALITY | | | |
| None | | | |
| BRIEF SUMMARY | | | |
| The Accounts and Audit Regulations require that the Council develop and publish an Annual Governance Statement ('AGS'). The AGS reports on the extent to which the Council has complied with its Code of Corporate Governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year and on any planned changes in the coming period. | | | |
| In accordance with CIPFA Guidance, Audit [Governance] Committees should review and approve the final draft of the AGS prior to the document being presented to the Chief Executive and Leader of the Council for signing. | | | |
| RECOMMENDATIONS: The Governance Committee is asked to: | | | |
| | (i) | Review the final draft 2018-19 AGS (Appendix 1) | |
| REASONS FOR REPORT RECOMMENDATIONS | | | |
| 1. | The Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement. | | |
| 2. | This responsibility extends to receiving, reviewing and approving the draft AGS prior to the document being presented to the Chief Executive and Leader of the Council for signing. | | |
| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | | | |
| 3. | The production of an AGS is a mandatory requirement in accordance with Regulation 6 (1) (b) of the Accounts and Audit (England) Regulations 2015 and therefore no alternative options have been considered. | | |
| DETAIL (Including consultation carried out) | | | |
| 4. | The Committee will recall that at the meeting on 10th June 2019, Members were invited to comment on an early draft of the AGS. This is in accordance with CIPFA guidance which recommends that "the AGS is first reviewed by members of the Audit [Governance] Committee at an early stage to allow comments and contributions to be made. The AGS, which forms part of the Statement of Accounts, must be current at the time that it is published'. | | |

| | | |
|---|--|-----------|
| 5. | The only subsequent change to the draft document is the inclusion of confirmation of the Chief Internal Auditor's opinion for 2018-19 on Page 10. | |
| 6. | Subject to any further comments, the final draft of the AGS will be presented to the Chief Executive and Leader of the Council for signing | |
| 7. | As per the process adopted in previous years, and in accordance with good practice, the Governance Committee will be provided with a mid-year update report in respect of the status of the 'Planned Actions'. | |
| RESOURCE IMPLICATIONS | | |
| <u>Capital/Revenue</u> | | |
| 8. | None | |
| <u>Property/Other</u> | | |
| 9. | None | |
| LEGAL IMPLICATIONS | | |
| <u>Statutory power to undertake proposals in the report:</u> | | |
| 10. | The Accounts and Audit (England) Regulations 2015 require that the Council must each financial year conduct a review of the effectiveness of the system of internal control and prepare an AGS for approval by a committee or members of the authority. The AGS must be approved in advance of the relevant authority approving the statement of accounts. | |
| <u>Other Legal Implications:</u> | | |
| 11. | None | |
| RISK MANAGEMENT IMPLICATIONS | | |
| 12. | Failure to develop and publish an Annual Governance Statement would mean that the Council did not comply with a statutory requirement. | |
| POLICY FRAMEWORK IMPLICATIONS | | |
| 13. | None | |
| KEY DECISION? | | No |
| WARDS/COMMUNITIES AFFECTED: | | n/a |
| <u>SUPPORTING DOCUMENTATION</u> | | |
| Appendices | | |
| 1. | Draft Annual Governance Statement 2018-19 | |
| Documents In Members' Rooms | | |
| 1. | n/a | |
| 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 | |

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Annual Governance Statement

SCOPE OF RESPONSIBILITY

Southampton City Council (“the Council”) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The council has approved and adopted a Code of Corporate Governance that is consistent with the principles of the ‘Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). A copy of the code is on our website at:

http://www.southampton.gov.uk/policies/code-of-corporate-governance-feb-2019_tcm63-396028.pdf

or can be obtained from the:

Service Director – Legal and Governance
Southampton City Council,
Civic Centre,
Southampton,
SO14 7LY

This statement explains how the council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, Regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. To demonstrate compliance with the principles of good corporate governance, the Council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

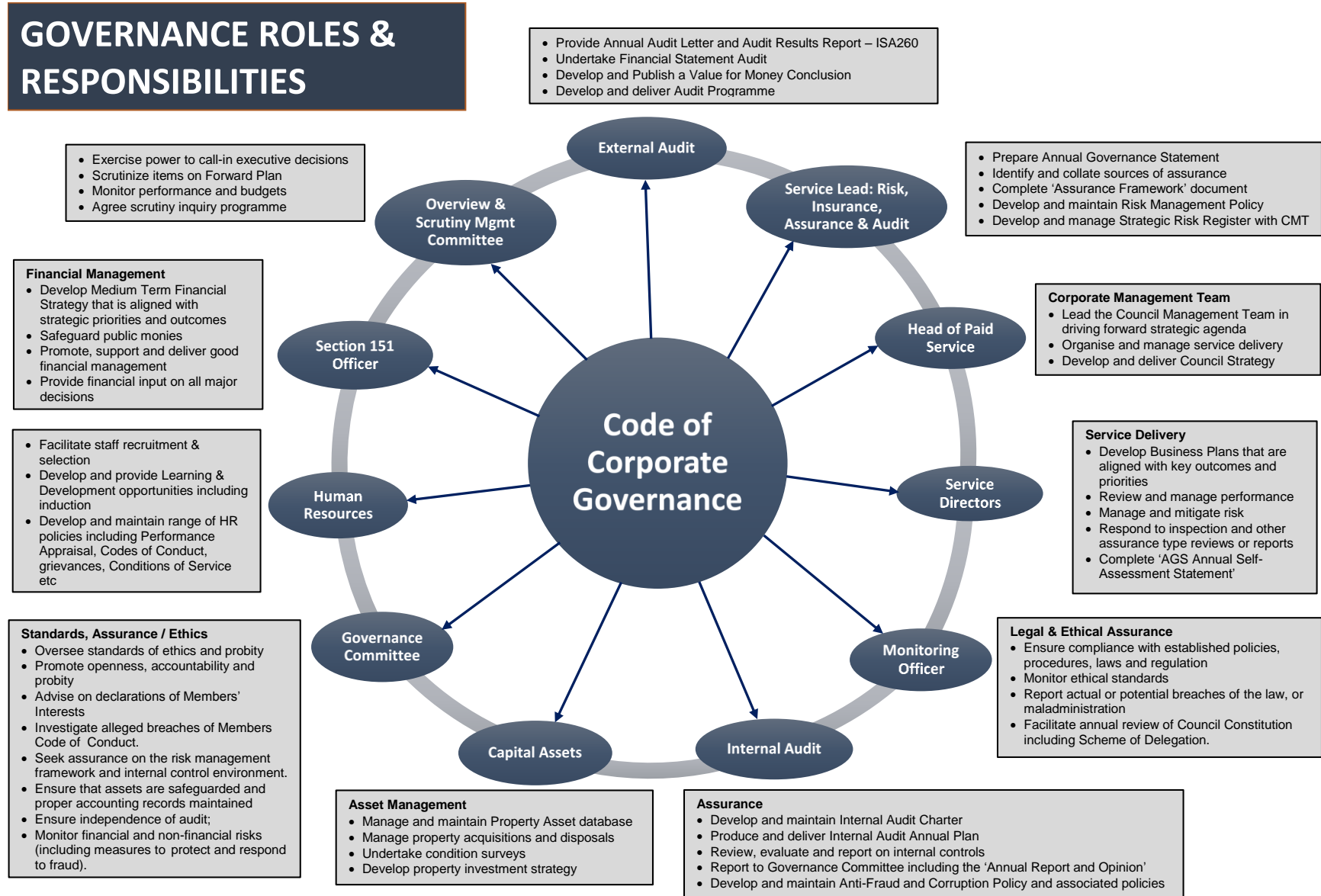
Good governance is crucial as it leads to good management, good performance, good stewardship of public money, good public engagement and ultimately good outcomes for citizens and service users. Further, good governance enables an authority to pursue its aims effectively whilst controlling and managing risk.

The system of internal control is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council’s policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the council for the year ended 31st March 2019 and up to the date of approval of the statement of accounts.

Annual Governance Statement

GOVERNANCE ROLES & RESPONSIBILITIES



Annual Governance Statement

The Governance Framework

The fundamental function of good governance is to ensure that the Council achieves its intended outcomes while acting in the public interest at all times. The following core, high level, principles characterising good governance in the public sector are derived from the 'Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)'.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to choose. The Constitution is divided into 15 Articles which set out the basic rules governing the Council's business. The Constitution is published on the council's website at:

<http://www.southampton.gov.uk/council-democracy/meetings/council-constitution.aspx>

The Constitution includes both Officers' and Members' Codes of Conduct which set out the expected behaviour and standards to be adhered to. In addition, there is a Code of Conduct for Employees which states the standards of conduct and behaviour expected of them in the course of their employment and where this extends into activities and interests outside of work.

The Service Director: Legal and Governance is the Monitoring Officer and has responsibility for ensuring compliance with established policies, procedures, laws and regulation, and reporting any actual or potential breaches of the law, or maladministration, to full Council and/or to Cabinet.

A 'Whistleblowing Policy' (Duty to Act) is in place and published on the council's website. Whistleblowing is a way for employees to raise reasonably and honestly held concerns they may have about serious matters that could put the Council and/or the wider public at risk. Whistleblowing usually involves bringing forward concerns that it is in the public interest to investigate and resolve. Examples are crime, fraud, the giving or taking of bribes, financial malpractice, or practices that might endanger individuals or the environment.

As part of the commitment to safeguard public funds there is an 'Anti-Fraud, Bribery and Corruption Policy'. This policy applies to any actual or suspected internal or external fraud, bribery, corruption and dishonest dealing that involve the council and or its Members and staff. It also covers contractor, supplier, partner, agents, intermediaries and service users. The Council also has in place an 'Anti-Money Laundering' policy which sets out both the expectations and responsibilities of both officers and Members in respect of preventing criminal activity through money laundering. The policy sets out the procedures which must be followed (for example reporting of suspicions of money laundering activity) to enable the Council and staff to comply with their legal obligations. All such policies are subject to periodic review.

Investigations and special reviews into suspected fraud or irregularities are overseen by an Investigation Steering Panel, comprising the Monitoring Officer, Chief Internal Auditor, Section 151 Officer (Chief Finance Officer) and the Service Director - Human Resources & Organisational Development.

A formal Corporate Services and Adult Social Care 'Customer Comments, Compliments and Complaints Policy' is in place which is published on the Council's website. This document, which sets out how customers may wish to share their experiences of using council services, is subject to annual review. In accordance with legislation there is a separate Children and Families Complaints Policy in place. Complaints about Members are dealt with under the Members' Code of Conduct complaints procedure.

Annual Governance Statement

B. Ensuring openness and comprehensive stakeholder engagement

The Council supports the principle that people should have the opportunity to voice their opinions on issues that affect them. The views of customers are at the heart of the council's service delivery arrangements and are actively sought. The Council's website includes a 'Have your say' section which set out how residents and other stakeholders can voice their opinions and shape service delivery. It has information on:

- *Consultations*
- *E-Petitions*
- *Comments, compliments and complaints*
- *Have your say at meetings*

Where appropriate, public consultation is used to seek the views of residents and stakeholders. For example the public consultation on budget proposals that helped to shape the budget report for 2018-19. Information was made available in an easy to understand format and respondents were informed on how their feedback was used. This was then reported to Cabinet before they made their final recommendations to Council.

The 2016 City Survey, which asked residents about their views and opinions on a range of issues facing the city, was commissioned by Southampton Connect and the Police, Council and NHS, and was intended to capture and help understand the views of local residents. The survey exercise was repeated in the summer of 2018 when a telephone city survey of residents of was undertaken. This survey is used to monitor the success of key council strategies and to prioritise activity.

The Council has in place a 'People's Panel' which now has a membership of over 2,000 people. This Panel comprises a group of residents who take part in surveys and other opportunities to express their views on council services, health services and living in the city. Run by Southampton City Council and with support from the University of Southampton, the People's Panel has been active since 2015 and the results from surveys have been used to inform a number of decisions and service changes.

A 'Tenants Tell Us' Group is also in place comprising Southampton social housing residents who take part in monthly online surveys to express their views on council housing services. Feedback is then used to influence how services are delivered, highlight issues, and help shape housing services across the city.

There is a strong focus on youth participation in the city with 'Youth Forum Southampton' providing opportunity for young people to influence how services are delivered, highlight issues that that need to be reviewed and to help shape public services for the community. The 'Southampton Speak Up! - Children and Young People's Participation Strategy 2016-2020' is also intended to provide children and young people with 'a voice and a choice' explains how young people can get involved to help make the city a better place. Elections have also been held for Southampton's own Member of Youth Parliament who is now in place.

The Councils 'Children in Care Council' groups provides an opportunity for those children in care to share their views and experiences with a view to improving things for themselves and others.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Southampton City Council Strategy 2016-2020 ('Council Strategy') is a key document that sets out the council's strategic vision until 2020 and reflects the on-going commitment to ensure that the Council works to put residents and the customers at the heart of everything that it does and to reflect the city's diversity. The Council Strategy identifies the following four key outcomes that make up the vision:

Annual Governance Statement



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

In order to achieve these outcomes it is recognised that the council has to be a modern, sustainable organisation - which is the fifth outcome. For each outcome there are associated priorities and information on how success will be measured. In addition, against each outcome there is a 'Leader's Focus' that reflects the council's commitments to residents and customers. There is a 'golden thread', through the performance management framework and annual performance reviews, that makes clear links between objectives set for staff and the council's priority outcomes.

There are a number of key strategies, policies and plans which impact on direction of the Council and the day to day operations as follows:



The Southampton City Strategy (2015-2025) is a partnership strategy which sets out the vision for the whole city: *'Southampton a city of opportunity where everyone thrives'*. Southampton Connect is an overarching strategic partnership body that has senior level representation from key agencies and sectors covering private, public and voluntary sectors within the City. This independent partnership which brings together senior city representatives seeking to address the key challenges and opportunities for Southampton and working with the city's key partners to improve the outcomes of the people of Southampton.

At a sub-regional level delivery of key outcomes and priorities is through the Partnership for Urban South Hampshire ("PUSH") and the Solent Local Enterprise Partnership ("Solent LEP"). PUSH is a collaborative partnership working arrangement between twelve South Hampshire local authorities including the unitary authorities of Southampton, Portsmouth and Isle of Wight, and Hampshire County Council. PUSH is focused on developing, supporting and improving the economic performance of the sub-region and works collaboratively with partner agencies in the sub region as well as key Government Departments. PUSH proactively engages with business leaders, universities and the voluntary sector through the Solent LEP in support of activities that facilitate sustainable economic growth.

Solent LEP is a partnership organisation between the business community, the Further Education and Higher Education sector, the local authorities represented on PUSH and actively works together to secure a more prosperous and sustainable future for the Solent area. The Solent LEP is the key interface and lead for economic development in the region and has six priority areas for investment, namely: Skills, Business Support, Innovation, Infrastructure, Strategic Sectors and Inward Investment & International Trade.

Annual Governance Statement

The Council's Medium Term Financial Strategy ('MTFS') is a core part of the Council's strategic framework and plays a pivotal role in translating the Council's strategic plans and ambitions into action. An updated MTFS for the period 2019/20 to 2022/23 was approved by Full Council in February 2019.

The objective of the MTFS is to provide a financial framework within which financial stability can be achieved and sustained in the medium term to deliver the council's outcomes. The Strategy is based around 6 key aims:

- *To provide financial parameters within which budget and service planning should take place;*
- *To ensure the council sets a balanced and sustainable budget;*
- *To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources, ensuring services are defined on the basis of a clear alignment between priority and affordability;*
- *To ensure the council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area;*
- *To plan the level of fees, charges and taxation in line with levels that the council regard as being necessary, acceptable and affordable to meet the council's aims, objectives, policies and priorities whilst gradually reducing the council's reliance on Central Government funding; and*
- *To ensure that the council's long term financial health and viability remain sound.*

The MTFS takes into account a number of other strategies, policies and plans that impact on the direction of the Council and the day to day operations including the Southampton Better Care Plan. The Better Care Plan identifies key areas where closer integration between health and social care will enable system wide efficiencies that benefit both parties and improve the experience and outcomes for the service users. The Better Care Fund, which commenced in 2015, pools and aligns funding for a significant number of services via a formal contract between the Council and Southampton City Clinical Commissioning Group. For the Council these efficiencies are included within the medium term financial forecast.

Outcome Based Planning and Budgeting (OBPB) was introduced in 2017-18 and is the practice of developing budgets based on the relationship between funding and expected outcomes. OBPB is intended to provide clarity between the outcomes that we want to achieve and how we prioritise resource allocation. A further element has been introduced in the 2019/20 budget setting process to incorporate business academies, and begin to embed commercialisation across the Council. The business academy process is designed to help develop service business plans that are aligned to the key outcomes with the output fed into the budget process. OBPB gives certainty to residents, businesses and service users that service provision has been prioritised and funded for 2019/20, within a stable financial framework. The OBPB process will be further reviewed and refined in 2019/20 to ensure that the budget gap in 2020/21 and future years can be mitigated.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council has in place a robust decision making process with all reports are subject to corporate clearance (Legal, Finance and Policy) prior to publication in accordance with the published procedures (which form part of the Council Constitution). All reports follow a standard template which identifies the 'Decision Maker', the decision or action required, why the report is recommended, alternative options considered together with a details (including consultation carried out) section. The template also includes separate sections detailing any Financial (Resource), Legal, Risk Management and Policy implications. These consider the how proposals will be paid for, the statutory power to undertake the action and including reference to any legislation that affects the proposals, information on the risks that are being accepted as part of the decision and confirmation that the report proposals are in accordance with the Council's approved Policy Framework.

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The Council's Overview and Scrutiny Management Committee ("OSMC") manages the council's overview and scrutiny process which includes scrutinising items on the council's Forward Plan and exercising the power to call-in executive decisions, agreeing the scrutiny inquiry programme, monitoring performance and budgets, Scrutiny provides the role of the "critical friend" to the decision makers and assists in policy development, drives improvement in public services and enables the voice of the public to be heard. There are a number of Scrutiny Panels that support the work of the Executive and the Council as a whole. The Scrutiny Inquiry Panel carries out a work programme of scrutiny inquiries approved by the OSMC. In addition, the Health Overview and Scrutiny Panel undertakes the statutory scrutiny of health and adult social care agencies in Southampton, and the Children and Families Scrutiny Panel scrutinises services for children and families in the city, including education.

All scrutiny meetings are held in public with opportunity for the public to ask questions or submit questions in writing to the committee or panels. Scrutiny inquiries can consider written evidence and members of the public, community groups, or other key stakeholders can write in to bring evidence to the attention of Inquiry Panel members.

The Council has in place 'Outcome Plans' that are explicitly aligned with the Council's key outcomes and areas of focus as set out in the Council Strategy. These plans identify the key challenges and opportunities associated with the delivery of the respective key priority and outcomes and how they can be addressed. Progress in respect of achieving key targets, for measures linked to the Council's key outcomes and priorities, is subject to regular and robust review by both the Council Management Team. In addition, CMT receives a Monthly Operating Performance ('MOP') on a monthly basis. The MOP contains key service measures including:

- *Workforce statistics such as absence and staff turnover*
- *A number of financial metrics such as Council Tax collection and the MTF5 budget gap*
- *Complaint numbers*
- *Ofsted ratings for schools*
- *Compliance to mandatory learning*
- *Data breaches and accidents / incidents*
- *Key results in the last month, messages, decisions and announcements*

Budget pressures arising from services are identified through regular monitoring of budgets and work plan with action plans to address any significant in year budget variances are agreed with the Council Management Team and subject to monthly progress / status reporting.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council has in place a Workforce Strategy which is intended to enable the Council to develop its current and future workforce with the right skills, competencies and behaviours to deliver services. The Council's Workforce Strategy sets out a high level vision, priorities and outcomes to develop and nurture a motivated and effective workforce who will deliver the Council's priorities. The priority outcomes delivered by the Workforce Strategy will be:

- *Recognised as an employer of choice;*
- *A high performing workforce;*
- *Good management across the Council;*
- *Evidenced based decision making, planning and delivery;*
- *A highly motivated and engage workforce;*
- *Staff empowered to make decisions;*
- *An effective Member Development programme for councillors; and*
- *Demonstrable valuing of diversity and equality.*

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The Workforce Strategy sits alongside the both the Medium Term Financial Strategy and the Customer Strategy and takes account of challenges in relation to the overall Council budget. It is used to inform resource allocation decisions, drive positive change and deliver agreed outcomes.

F. Managing risk and performance through robust internal control and strong public financial management

The Council has in place a 'Risk Management Policy 2017-2020' that sets out the framework, arrangements and responsibilities in respect of how risks relating to the delivery of key outcomes and priorities, are identified and managed. This policy is intended to support the application of robust risk management principles and practices across all service areas.

A key document is the Council's Strategic Risk Register which reflects the key strategic keys that have been identified as needing to be managed in order to support the delivery of the key outcomes and priorities. The Strategic Risk Register is developed and managed by the Council Management Team and is reviewed and updated on a quarterly basis. In addition, Cabinet Members are also provided with information in respect of the risks relevant to their respective portfolios.

The Council's Governance Committee has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. The Governance Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. It receives a range of periodic reports relating to both the internal control environment and financial management. The Committee receives regular update reports in respect of the delivery of the annual internal audit plan and the outcome of individual audit reviews. It also receives reports in respect of risk management and a range of reports relating to financial issues including receiving the draft Statement of Accounts.

Performance against the key indicators in the Council Strategy is actively monitored and published each quarter on the council website in the form of a Council Strategy Scorecard Summary. The Council Management Team also receives a quarterly scorecard which reports progress in achieving key targets for measures linked to the Council priorities. A Monthly Operating Performance (MOP) dashboard is reviewed by the Council Management Team on a monthly basis and contains key service measures as well as:

- Workforce statistics such as absence and staff turnover
- Financial metrics such as Council Tax collection and the MTFs budget gap
- Complaint numbers
- Ofsted ratings for schools
- Compliance with mandatory learning
- Data breaches and accidents / incidents
- Textual information – Key results in the last month, messages, decisions and announcements
- Key improvement activity around Children's and Adult's Social Care

All significant commercial partnership working arrangements also have a range of performance indicators which are used to verify and manage service performance. The Council is committed to achieving best value from its contracts and ensuring that goods, services and works are procured and contract managed in the most efficient and effective way. Regular review meetings are held with key suppliers in order to ensure that contracts remain fit for purpose. In addition, these outsourced contracts are managed by a Supplier Management Team or an Integrated Commissioning Unit which provide senior management interfaces between the Council and our partnership service providers.

The Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer ("CFO") in Local Government (2016)'. The CFO is professionally qualified and is a member of the Council Management Team and reports directly to the Chief Executive. The CFO is actively involved in ensuring that strategic objectives are aligned

Annual Governance Statement

to the longer-term finance strategy. The CFO has input into all major decisions, advises the Executive on financial matters and is responsible for ensuring that budgets are agreed in advance, that the agreed budget is robust and that the finance function is fit for purpose.

G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

The Council is committed to openness and transparency and publishing as much Council data as it can in order to increase accountability. The Council has established a 'Council Data' web page that enables the public to access a range of information that is published in accordance with the Local Government Transparency Code (2015). This includes a link to both the current and previous Statement of Accounts together with relevant audit certificates. These documents shows how public money has been used.

The Council's Constitution sets out how decisions are made and makes specific reference to decision making by Full Council, by the Executive (Cabinet), by Overview and Scrutiny Committees, other committees and sub-committees established by the Council and by Council bodies acting as tribunals. The Constitution also includes an Officer Scheme of Delegation which sets out the powers and functions that are delegated to named Council Officers. The compilation of a Register of Delegated Powers is a statutory requirement and is maintained by the Service Director: Legal & Governance.

The Council produces a Forward Plan of all Key Decisions which are proposed to be taken within the next four months (updated monthly 28 clear days prior to scheduled Cabinet meetings on a rolling basis). Other decisions are also included where practicable to assist in providing public transparency and confidence in decision making. All agendas and minutes of meetings in respect of Council, Cabinet, Overview and Scrutiny, Non-Executive Committees and statutory boards and published on the Council's website.

The Council's assurance arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Head of Internal Audit in public service organisations (2010)' noting that an updated version of the document was published by CIPFA in April 2019. This updated statement mirrors the Public Sector Internal Audit Standards and is embedded in the Internal Audit Charter & Code of Ethics. The Head of Internal Audit (Chief Internal Auditor) is professionally qualified and is responsible for reviewing and reporting on the adequacy of the council's internal control environment, including the arrangements for achieving value for money. The Chief Internal Auditor has direct access to the Chief Executive, and to the council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards. Where it is considered necessary to the proper discharge of internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance Committee).

REVIEW OF EFFECTIVENESS

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is led by a 'Controls Assurance Management Group' comprising the Service Director - Finance & Commercialisation (Section 151 Officer), Chair of the Governance Committee, Deputy Chief Executive, Service Director – Legal & Governance (Monitoring Officer) and the Chief Internal Auditor.

The review process, applied in respect of maintaining and reviewing the effectiveness of the system of internal control, is informed by:-

- The views of Internal Audit regularly reported to Governance Committee via the 'Internal Audit: Progress Report' which include executive summaries of new reports published and highlights any significant risk exposure and control issues, including fraud and governance risks. Where an individual audit receives an overall level of 'No Assurance' then the exceptions are reported in their

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entirety to the Governance Committee along with the Service Director's comments. Where appropriate, the relevant Service Director may be required to attend a meeting to update the Committee regarding progress and actions;

- The views of external auditors, regularly reported to the Governance Committee, including regular progress reports, the Annual Audit Letter and Audit Results Report.
- The Chief Internal Auditors 'Annual Report and Opinion' on the adequacy and effectiveness of the council's internal control environment. The Chief Internal Auditor's opinion for 2018-19 was that a limited assurance opinion was given for a second year on the arrangements relating to the framework of governance, risk management and control at Southampton City Council is effective. This reflects that although the level of 'no or limited assurance' reviews had decreased from the previous year, indicating signs of improvement, there was a lack of implementation of agreed actions following earlier audit reviews leaving the Authority with risk exposures unmitigated. This is reflected in the 'significant governance issue' Item 3.
- The Internal Audit Charter and delivery of the annual Internal Audit plan;
- The work of the Service Directors and Service Leads who have responsibility for the development and maintenance of the governance environment;
- The completion of 'Self-Assessment Statements' by Service Directors that cover the key processes and systems that comprise the council's governance arrangements and are intended to identify any areas where improvement or further development is required;
- Completion of an 'Assurance Framework' document which reflects the key components of the Council's overall governance and internal control environment. This document, based on CIPFA/SOLACE guidance, records the key controls in place, and sources of assurance, and identifies any significant gaps or weaknesses in key controls;
- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission;
- The Risk Management Policy and specifically the Strategic Risk Register;
- The work of the Governance Committee in relation to the discharge of its responsibility to lead on all aspects of corporate governance.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

The following significant governance issues have been identified:

1. Governance Issue

Lack of consistent approach regarding formal succession planning for key posts and/or arrangements in place to ensure that there is an appropriate spread of skills in order to avoid over reliance on any particular individual.

Planned Action: An important part of the 2019-25 corporate business planning process is the requirement for service areas to identify and consider future organisational development requirements. This is intended to capture the future required structure, skills mix and training together with consideration of the resilience of the service. This will inform the wider resourcing review of the council's leadership and the centrally led leadership development plans. The overall

Annual Governance Statement

framework and plans will be in place during 2019 for commencement of key programmes. An additional outcome will be an increase in apprentice training (new starts and existing staff looking for higher level qualifications).

Responsible Officer: Service Director Human Resources & Organisational Development
Target for completion: January 2020

2. Governance Issue

The 'annual performance appraisal' ("APR") process is still not fully embedded with some inconsistencies across service areas in terms of compliance with the process.

Although compliance has increased, the HR Log of completed staff APRs is incomplete as not all forms were submitted on-line.

Completed Action: A more streamlined APR process is in place for 2019/2020 under a new HR Lead and informed by feedback on previous forms and process.

Managers have been reminded of the importance of the APR process and the need to use the on-line "auto submit" tool or to provide confirmation of completion where on-line facilities are not part of the service provision (front-line). HR will oversee and report on compliance with the process to ensure that all staff have the correct supervision and annual appraisal meetings.

Responsible Officer: Service Director Human Resources & Organisational Development

3. Governance Issue

The follow-up reviews undertaken by Internal Audit in respect of 'limited' or 'no assurance' audit reports issued in 2017-18 (and including any 'Priority Levels' that were assessed as being 'high risk' in other audit reports) has identified that, at the date of the follow up review, 58% of the 'agreed management actions' had not been progressed.

The foregoing is reflected in the Internal Audit Progress Reports that are presented to the Governance Committee throughout the year and in the Chief Internal Auditors Annual Report and Opinion.

Completed Action: Internal Audit to provide reports, normally on a quarterly basis, to the Council's Executive Management Board (comprising the Chief Executive, Deputy Chief Executive, Chief Operating Officer and Section 151 Officer) in respect of follow up reviews on any 'limited' or 'no assurance' audit reports (or where there are critical or high risk exceptions) where the review has identified that the agreed management actions have not been implemented or otherwise satisfactorily progressed.

Responsible Officer: Service Director Finance & Commercialisation

4. Governance Issue

Whilst a number of actions have been implemented in order to improve officer compliance with the Council's procurement policies, and there is some evidence that they are having a positive effect, it is too soon to for assurance to be provided that they have been fully effective in terms of modifying behaviours. It is also recognised that some further actions are planned for implementation in 2019.

Planned Action: Internal Audit to undertake a review of contract framework and procurement in 2019 as part of the 2019/20 Internal Audit Annual plan. This audit review will look to obtain evidence and assurance of modified officer behaviours in respect of compliance with procurement

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policies. The Supplier Management Team will also be carrying out ongoing monitoring and reporting to Governance Committee.

Responsible Officer: : Service Director Finance & Commercialisation

Target for completion: December 2019

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness, and will monitor their implementation and operation as part of our next annual review.

Signed

.....
Sandy Hopkins
Chief Executive

on behalf of Southampton City Council

.....
Councillor Christopher Hammond
Leader of the Council

Agenda Item 7

| | | | |
|--|---|--|---------------------------|
| DECISION-MAKER: | | GOVERNANCE COMMITTEE | |
| SUBJECT: | | ANNUAL INTERNAL AUDIT OPINION 2018-19 | |
| DATE OF DECISION: | | 29TH JULY 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 and in accordance with the Public Sector Internal Audit Standards the Chief Internal Auditor is required to provide an opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance.</p> <p>The annual opinion for 2018-19 is that 'limited assurance' can be provided. Four audit opinion levels are in place and these are: no assurance, limited assurance, reasonable assurance and full assurance.</p> <p>During the course of the year 60 high risk exceptions were raised along with 59 medium and 15 low. The details of all work carried out can be found in Appendix A.</p> <p>In addition to the opinion an update is provided on the work carried out since the last reporting period.</p> | | | |
| RECOMMENDATIONS: | | | |
| | (i) | That the Governance Committee notes the Chief Internal Auditor's Annual Audit Opinion for 2018-19. | |
| REASONS FOR REPORT RECOMMENDATIONS | | | |
| 1. | In accordance with proper internal audit practices (Public Sector Internal Audit Standards) and the Internal Audit Charter, the Governance Committee is required to receive the Chief Internal Auditor's Annual Report & Opinion for 2018-19. | | |
| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | | | |
| 2. | None | | |
| DETAIL (Including consultation carried out) | | | |
| 3. | The opinion has been shared with the s151 Officer only in order to maintain internal audit independence. | | |

| | |
|--|--|
| 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. | 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 Opinion for 2018-19 |
| 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): Results of work carried out to date. | Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable) |

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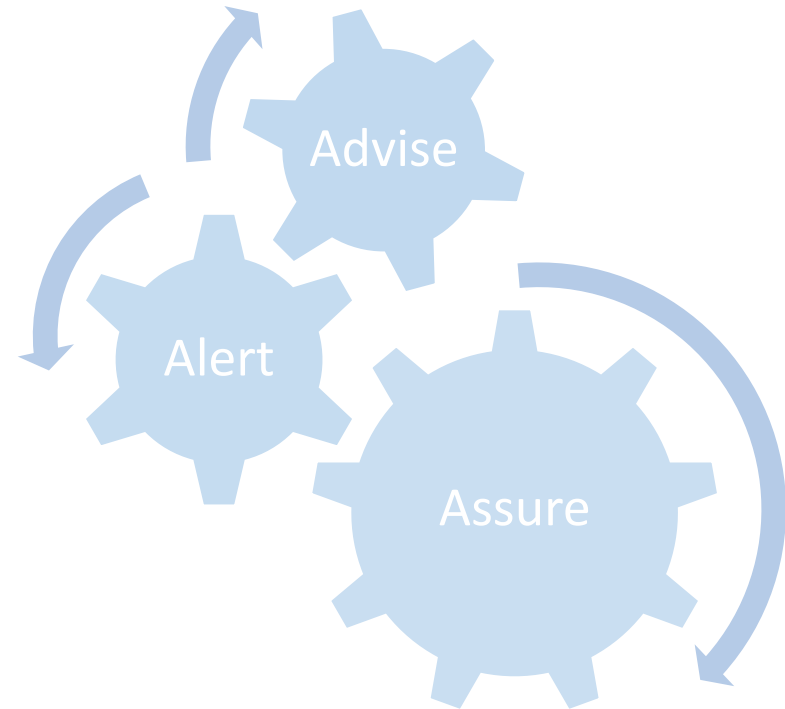
SOUTHAMPTON
CITY COUNCIL

Southampton City Council - Annual Audit Report

2018/19

Elizabeth Goodwin

Chief Internal Auditor

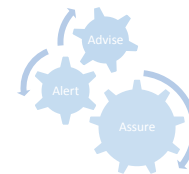




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1. Background

1.1 Public Sector Internal Audit Standards

1.2 On 1st April 2013 the 'Public Sector Internal Audit Standards' (PSIAS) were formally adopted in respect of Local Government across the UK. The PSIAS apply to all internal service providers, whether in-house, shared services or outsourced. The Standards were revised from 1 April 2016 to incorporate the mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing.

1.3 The Accounts and Audit Regulations 2015 Section 5, define the requirement for an internal audit function within Local Government stating that:

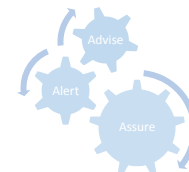
'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'

1.4 The responsibility for maintaining an adequate and effective system of internal audit within Southampton City Council lies with the Director of Finance & Commercialisation (S151 Officer).

1.5 The Chief Internal Auditor is responsible for effectively managing the internal audit activity in accordance with the '*Definition of Internal Auditing*', the '*Code of Ethics*' and '*the Standards*'.

1.6 In accordance with the PSIAS the definition of Internal auditing is;

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.



1.7 In addition the Chief Internal Auditor will provide an Annual Internal Audit Opinion based on an objective assessment of the Authority's framework of governance, risk management and control.

1.8 The Annual Internal Audit Opinion must incorporate;

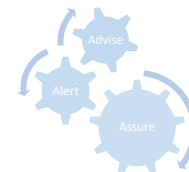
- The Opinion;
- A summary of the work that supports the Opinion; and
- A statement on conformance with PSIAS and the results of the quality assurance and improvement programme.

1.9 Statement of Organisational Independence

1.10 The Internal Audit Section has no operational responsibilities for any financial systems, including system development and installation. It does however manage and oversee the arrangements for 'auditing' Direct Payments and provides advice on control implementation and risk mitigation where relevant and throughout the design and implementation stages of new systems.

1.11 The Chief Internal Auditor is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example; in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.

1.12 The Internal Audit Section has free and unfettered access to the s151 Officer, Chief Executive, Monitoring Officer the Leader of the Council and the Chair of the Governance Committee.

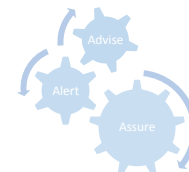


2. Annual Opinion for 2018/19

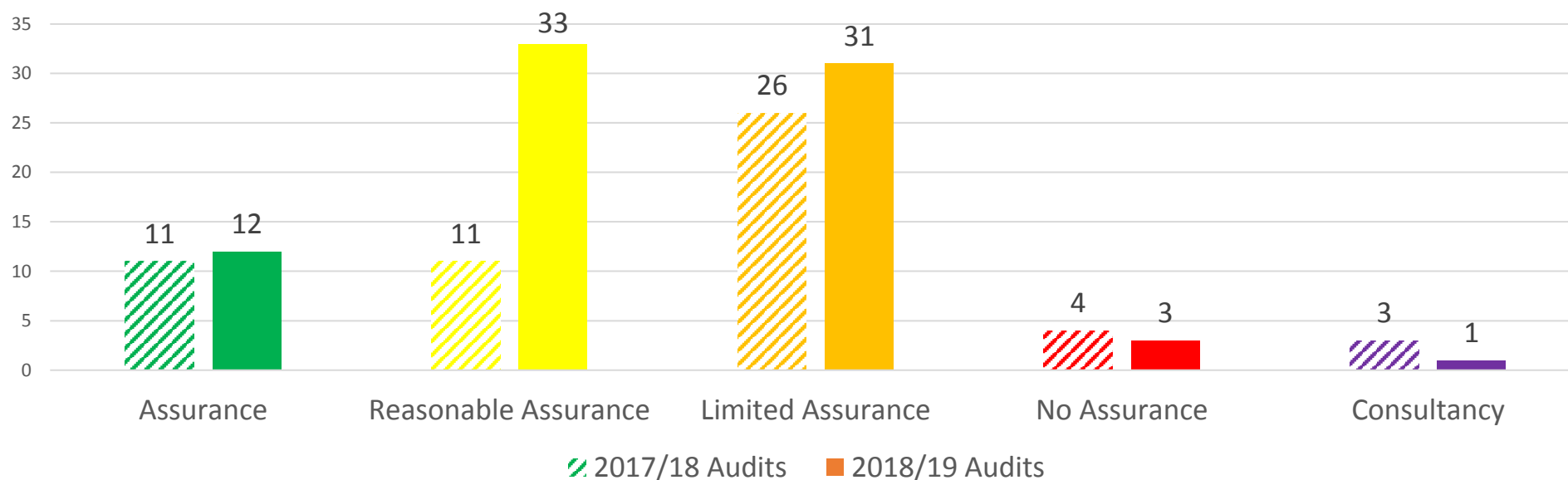
- 2.1 With effect from the 1st April 2017 and in partnership with Portsmouth City Council an in-house team to provide audit service has been established. The team currently consists of an Audit Manager and two Auditors, who are both undertaking professional qualifications. The service is provided by a combination of the in-house provision and colleagues from Portsmouth City Council overseen by a shared Chief Internal Auditor employed by Portsmouth City Council.
- 2.2 Over the course of the year (2018/19) the audit service has completed 80 reviews. These include a combination of full audits and follow up reviews. The results of the work carried out show that the level of limited and no assurance reviews have decreased compared with the results from the previous year which would indicate that the position has stabilised in respect of the effectiveness of the internal control environment. However an area that is less positive is the lack of movement on the implementation of agreed actions to resolve risk exposure indicating that the Authority still has a number of areas that it needs to address.
- 2.3 Four audit opinion levels are in place and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. As a result of the findings identified the audit opinion for 2018/19 will remain at limited assurance.

| | | | |
|--------------|--------------------------|----------------------|----------------|
| No Assurance | Limited Assurance | Reasonable Assurance | Full Assurance |
|--------------|--------------------------|----------------------|----------------|

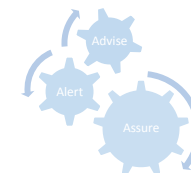
- 2.4 Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2017/18 may affect that year's work for External Audit. It may also inform their work for 2018/19 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.



3. Audit Assurance Levels - Comparing 2017/18 and 2018/19 Audit Results

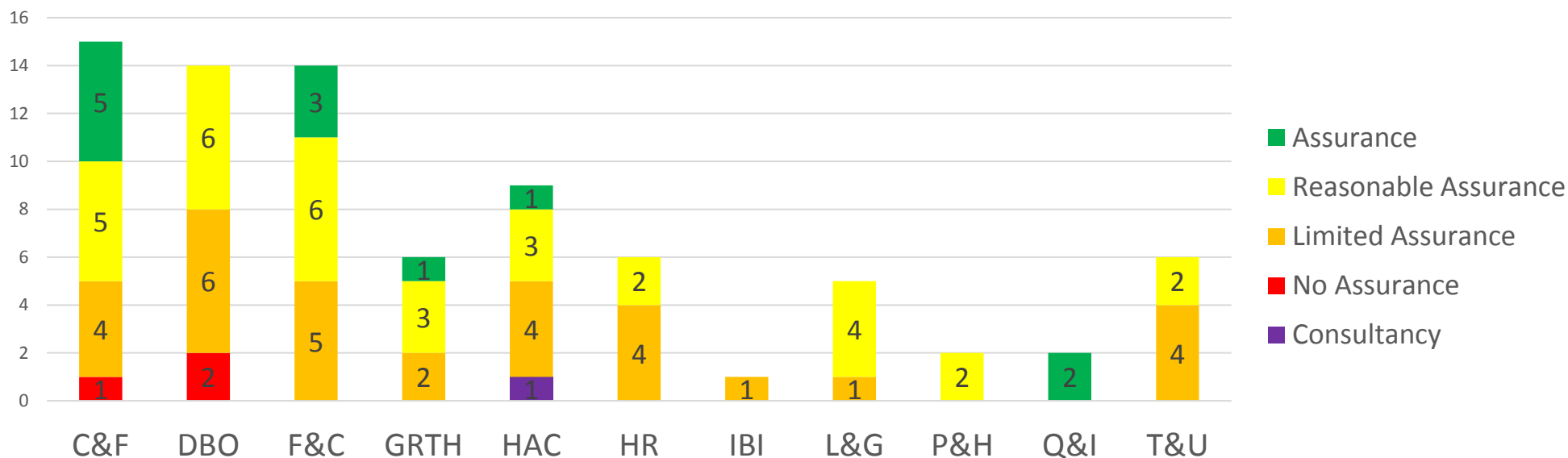


| | 2017/18 Audits | 2018/19 Audits | Total |
|----------------------|----------------|----------------|------------|
| Assurance | 11 | 12 | 23 |
| Reasonable Assurance | 11 | 33 | 44 |
| Limited Assurance | 26 | 31 | 57 |
| No Assurance | 4 | 3 | 7 |
| Consultancy | 3 | 1 | 4 |
| Grand Total | 55 | 80 | 135 |

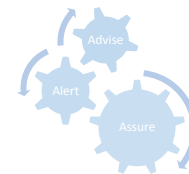


4. Audit Assurance Levels - Per Service Directorate for 2018/19 Audits

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| | C&F | DBO | F&C | GRTH | HAC | HR | IBI | L&G | P&H | Q&I | T&U |
|----------------------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Assurance | 5 | | 3 | 1 | 1 | | | | | 2 | |
| Reasonable Assurance | 5 | 6 | 6 | 3 | 3 | 2 | | 4 | 2 | | 2 |
| Limited Assurance | 4 | 6 | 5 | 2 | 4 | 4 | 1 | 1 | | | 4 |
| No Assurance | 1 | 2 | | | | | | | | | |
| Consultancy | | | | | 1 | | | | | | |
| Grand Total | 15 | 14 | 14 | 6 | 9 | 6 | 1 | 5 | 2 | 2 | 6 |



5. Key Areas of Concern

5.1 The 'no assurance' audits noted above relate to the following areas:

- IT Procurement & Disposal (Digital and Business Ops)
- Mobile Devices (Digital and Business Ops)
- Mount Pleasant School (Children & Families)

5.2 Follow up reviews to ascertain the current position of all 'no assurance' areas will be performed over the course of the year. Until this work is completed they will remain as an area of concern.

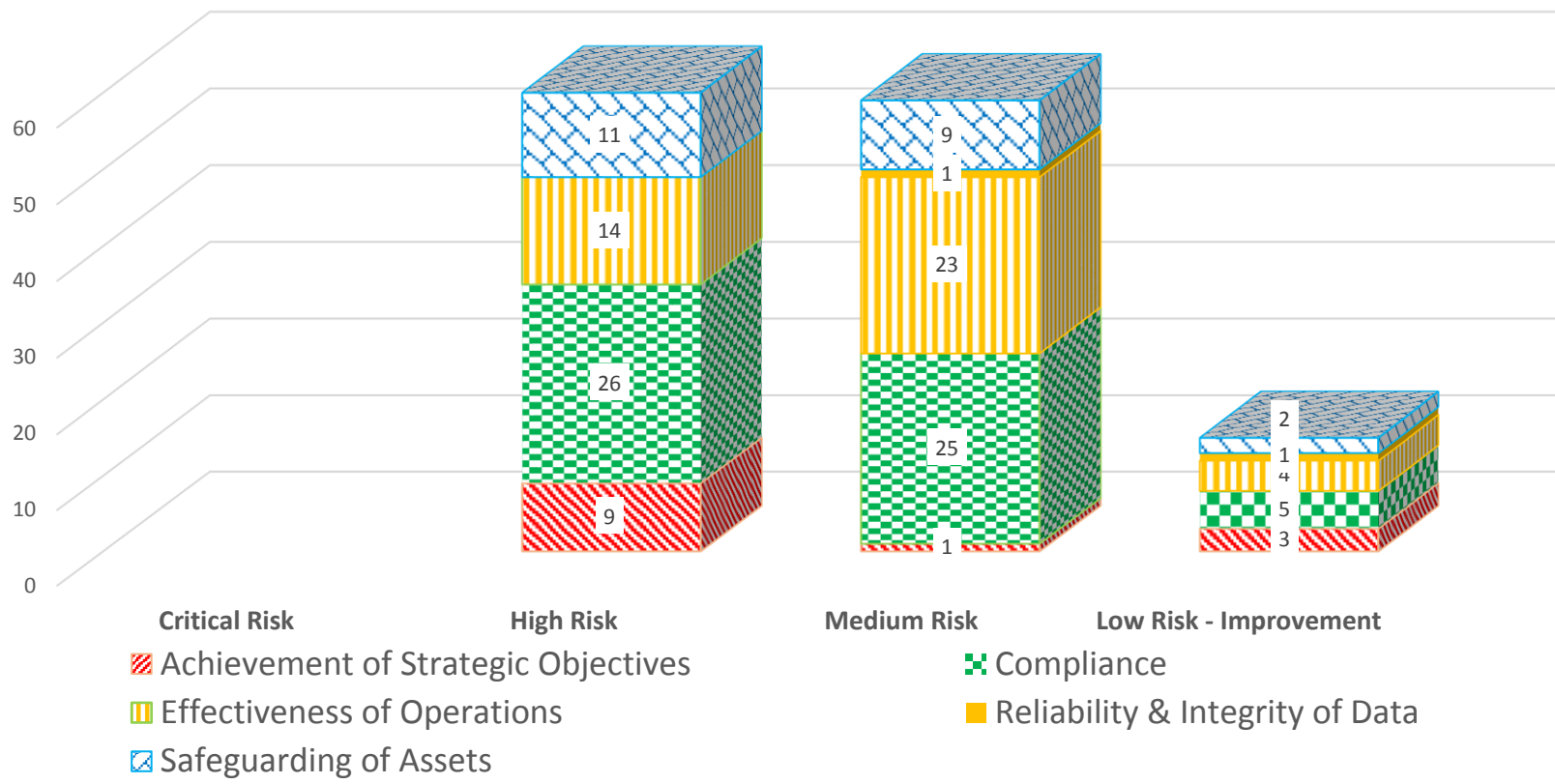
5.3 During 2018/19 Internal Audit carried out follow up reviews on all areas where 'no assurance' was provided under the 2017/18 audit plan. The results show the following movement.

- Accounts Payable - post follow up assurance level - Limited Assurance
- Procurement - post follow up assurance level - Limited Assurance
- Appointeeship - post follow up assurance level - Reasonable Assurance

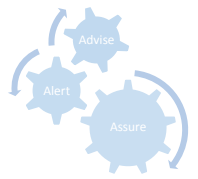
5.4 Studio 144 was the remaining audit performed during 2017/18 where a 'no assurance' opinion was attributed. Whilst no follow up was carried on Studio 144 (as this was a historic project), a follow up review was performed on the 'project management' framework arrangements, which resulted in a Reasonable Assurance.



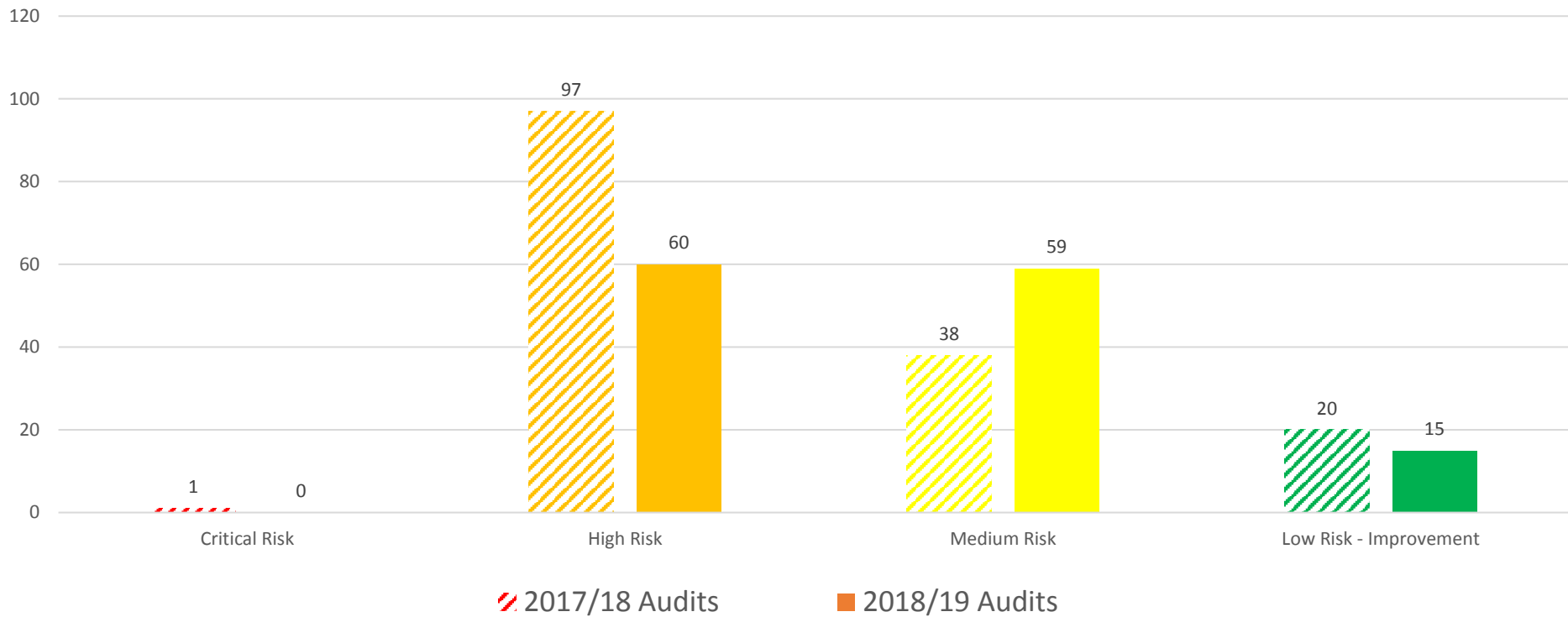
6. Exception Analysis by Risk Classification



| | Achievement of Strategic Objectives | Compliance | Effectiveness of Operations | Reliability & Integrity | Safeguarding of Assets | Total |
|------------------------|-------------------------------------|------------|-----------------------------|-------------------------|------------------------|------------|
| Critical Risk | | | | | | 0 |
| High Risk | 9 | 26 | 14 | | 11 | 60 |
| Medium Risk | 1 | 25 | 23 | 1 | 9 | 59 |
| Low Risk - Improvement | 3 | 5 | 4 | 1 | 2 | 15 |
| Grand Total | 13 | 56 | 41 | 2 | 22 | 134 |



7. Exception Analysis – Comparing 2017/18 and 2018/19 Audit Results

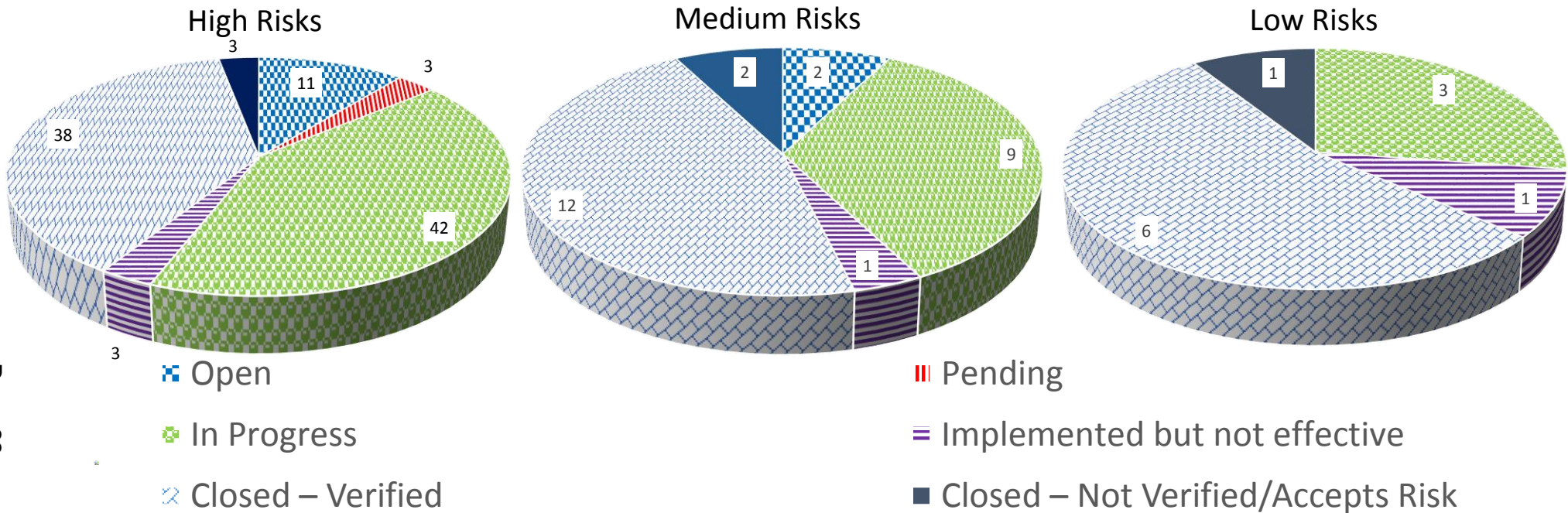


| | 2017/18 Audits | 2018/19 Audits |
|------------------------|----------------|----------------|
| Critical Risk | 1 | 0 |
| High Risk | 97 | 60 |
| Medium Risk | 38 | 59 |
| Low Risk - Improvement | 20 | 15 |
| Grand Total | 156 | 134 |

Southampton City Council Internal Audit Service is performed in compliance with the Public Sector Internal Audit Standards (PSIAS). Compliance to the standard was externally assessed in May 2018.



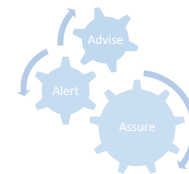
8. Follow Up Analysis for all 2018/19 Follow Up Audits



Page 33

| | Open | Pending | In Progress | Implemented but not effective | Closed – Verified | Closed – Not Verified | Closed – Management Accepts Risk |
|--------------------|-----------|----------|-------------|-------------------------------|-------------------|-----------------------|----------------------------------|
| Critical Risk | | | | | | | |
| High Risk | 11 | 3 | 42 | 3 | 38 | 3 | |
| Medium Risk | 2 | | 9 | 1 | 12 | | 2 |
| Low Risk | | | 3 | 1 | 6 | | 1 |
| Grand Total | 12 | 3 | 52 | 4 | 54 | 3 | 2 |

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 **137** exceptions followed up through 2018/19 shows that **39%** have been closed and verified by audit, however **61%** remain open and or are in progress.



9. Quality Assurance

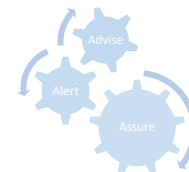
9.1 As part of the Public Sector Internal Audit Standards the Chief Internal Auditor is required to maintain a quality assurance and improvement programme (QA&IP) that covers all aspects of the internal audit activity. This QA&IP must include both internal and external assessments, which are detailed below under section 10.

9.2 In addition to this, quality and improvement requirements are assessed by means of:

- a) Sign off by the Chief Internal Auditor or Deputy of all key stages of an audit, for example the scope of work and level of testing to be performed, the conclusion of the work and opinion formed followed by a review of the draft and final reports.
- b) Weekly or bi-weekly 1:1's with all members of staff, within Internal Audit and colleagues who undertake Counter Fraud activities.
- c) Annual performance reviews of all staff, including the identification and provision of training. The majority of training needs are provided by a combination of external professional studies, supporting by in-house provisions and mentoring.
- d) All staff above Auditor level are required to undertake professional training or have achieved an education level of degree or above. For those that have completed professional studies as part of their professional body membership, much complete the required 'Continuous Professional Development'.
- e) An annual skills gap analysis across the team, (this includes the wider team) to determine specific potential shortages or gaps. Whilst no major gaps are noted at present, historical gaps in areas such as project auditing, contract auditing and IT auditing have been identified following the departure of employees (including retirement). These shortfalls have been address by specified recruitment, bespoke training or if required short term, by means of additional sign off/ mentoring of staff. Areas requiring improvement for this year's assessments are noted below, Skills Gap Analysis Results (6.3 & 6.4).
- f) All staff complete an annual declaration of interests including a nil return, to avoid any impingement on independence or conflict of interest.
- g) Director feedback will be requested during 2019/20 in order to ascertain whether the service provided complies with PSIAS.

Skills Gap Analysis for 2018/19

9.3 **Essential Areas** - where greater coverage of skills are needed moving forward:



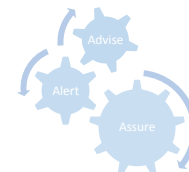
- Auditing - Specialist IT Auditing skills are limited within the service overall service with only one officer currently qualified. To address this shortfall, professional training will be undertaken by a second officer and use will also be made of resources employed elsewhere under the various partnerships and shared service arrangements.

9.4 **Desirable Areas** - where greater coverage of skills would be desirable:

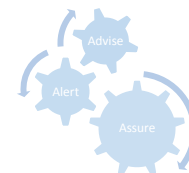
- Auditing - Academy Auditing - despite offering the service of internal audit to the Academies in the Portsmouth area, none have elected to use the service. As such the skills to audit academies are not as strong as would be desired due to lack of experience. No further action is proposed, IA will continue to offer the service of Internal Audit to Academies.

10. Completed Audits Since the Last Reporting Period

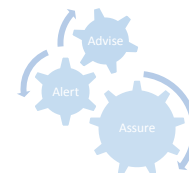
| Project Name | Hub | Overall Opinion | Total No. of Issues/Exceptions | Critical Risk | High Risk | Medium Risk | Low Risk Improvement |
|--|--|-----------------------------|--------------------------------|---------------|-----------|-------------|----------------------|
| Business Support | Strategy (SD Digital & Business Operations) | Reasonable Assurance | 2 | - | - | 1 | 1 |
| Scope of Audit: | Structure and processes in place to deal with requests, consistent and efficient operations, customer expectations, workflow is effectively managed and continuity of the service. | | | | | | |
| The medium risk relates to there being no six monthly review of the 3 service menus tested as part of the audit. The low risk improvement relates to the wrong service being named in a Service Menu. | | | | | | | |
| IT License Management | Strategy (SD Digital & Business Operations) | Reasonable Assurance | 2 | - | - | 2 | - |
| Scope of Audit: | Correct number of licenses purchased, unused software is recalled, license contracts/agreements are being complied with and data held in relation to licenses is accurate and verified. | | | | | | |
| The first medium risk relates to the lack of monitoring of current users and available licenses for Adobe software. Furthermore, the licence spreadsheet and CMDB database includes inaccuracies and the total number of licenses purchased and in use could not be evidenced. The second medium risk relates to there being no monitoring or recovery of Adobe licenses which are installed on machines which have been lost, taken out of circulation but not returned to IT or that have been transferred between staff without going back to IT. | | | | | | | |



| | | | | | | | |
|--|---|--------------------------|---|---|---|---|---|
| Accounts Receivable | Strategy (SD Finance & Commercialisation) | Limited Assurance | 2 | - | 2 | - | - |
| Scope of Audit: | Invoicing and debt recovery process for clients lacking capacity, invoices are accurate and timely, recovery action is prompt on unpaid invoices, debt levels are analysed and staff workload is monitored. | | | | | | |
| A high risk exception was raised due to a lack of monitoring on 4 out of 5 tested client cases awaiting financial representation, in one instance the application was submitted in March 2017 but had not been followed up, the outstanding balance on the account was £270,144.05. Furthermore, vulnerable clients assessed as lacking capacity to manage their finances are being sent full cost invoices requesting payment even though the invoice has potential to be inaccurate and payments should not be taken. The second high risk relates to a lack of recovery action in 9 (36%) of the 25 invoices tested. Follow up testing for 20171/8 Audit: One high and one medium risk has been closed and verified. One high risk is pending the Business World upgrade. The final medium risk related to insufficient debt recovery which remains an issue as highlighted above. | | | | | | | |
| Asset Management | Strategy (SD Growth) | Limited Assurance | 2 | - | 2 | - | - |
| Scope of Audit: | Asset revaluations in line with policy and CIPFA Code of Practice, assets are listed in the Asset Register, rent reviews are carried out in timely manner, suitable policy for valuations and rental income is billed. | | | | | | |
| A high risk exception was raised as reports highlighted 92 properties which needed the lease renewed and 94 properties where the rent review date had passed. The second high risk relates to 1 out of 10 properties not having been invoiced correctly as the company had changed their name and a further invoice to the company had not been issued (2 invoices of £237.50 each) highlighting the need for invoices in Tech Forge to be reconciled with the amounts invoiced. | | | | | | | |
| Responsive Repairs (Housing Depot) | Strategy (SD Adults, Housing & Communities) | Limited Assurance | 3 | - | 2 | 1 | - |
| Scope of Audit: | Completing repairs within timeframes, maintenance recovery charges applied, value for money, quality and performance and customer satisfaction is monitored. | | | | | | |
| The first high risk exception was raised as the target to complete a supervisory review for 5% of work is not being met and is heavily weighted to planned maintenance when responsive repairs is a larger proportion of work. The second high risk relates to 44 accounts having not been charged standard charges and therefore had been raised inaccurately. The medium risk relates to the £40 base charge for repairs not having changed in 10 years which means it is unlikely to reflect current costs and should be reviewed. | | | | | | | |
| Data Management | Strategy (SD Digital & Business Operations) | Limited Assurance | 3 | - | 2 | 1 | - |
| Scope of Audit: | Compliance with GDPR, completed information asset inventories, corporate retention schedules, deleted electronic data from software systems and data drives and adequate strategy in place. | | | | | | |



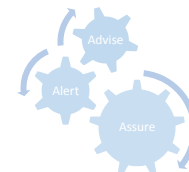
| | | | | | | | |
|---|--|--------------------------|---|---|---|---|---|
| <p>The first high risk exception was raised as the Risk Register states that there is 80% satisfaction and the retention schedule covers all information, 64% satisfied information is being destroyed in secure manner, 56% of managers carry out security audits of records storage facilities and 64% are satisfied the Records Reviews are carried out once a year. The second high risk relates to there being no structural undertaking to cleanse corporate network drives in compliance with GDPR and the Uniform has records which need to be deleted. The medium risk relates to the Information Governance Board Action Plans not having a clear trail of agreed actions and action dates.</p> | | | | | | | |
| Events | Strategy (SD Intelligence & Business Insight) | Limited Assurance | 5 | - | 3 | 2 | - |
| Scope of Audit: | Event application procedures, fees and charges are applied correctly, risk assessment for events held, monitoring to identify events as per agreed application and risk assessment. | | | | | | |
| <p>The first high risk exception was raised as 1 out of 9 large scale events tested failed to evidence justifiable and transparent fees and a further large scale event was not charged as the organiser did not have sufficient funds. The second high risk was raised as 4 out of 9 event risk assessments could not be evidenced. The third risk was raised as 1 out of 9 events failed to evidence relevant insurance documents. The first medium risk relates to 1 out of 9 applications forms not being evidenced and 5 out of 9 approvals not being evidenced. The final medium risk relates to sensitive personal data being stored on Google Notes (third party cloud storage).</p> | | | | | | | |
| Independent Fostering Agreements | Strategy (SD Children and Families) | Limited Assurance | 4 | - | 4 | - | - |
| Scope of Audit: | Partnership agreement in place, providers have signed framework, IPAs for placements, rates being paid to providers and procedures adhere to placement selections. | | | | | | |
| <p>The first high risk exception relates to all 10 of the placements tested not including the expected outcome in line with the framework agreement. The second high risk relates to 7 out of 10 Individual Placement Agreements (IPAs) having not been signed by the providers. The third high risk relates to 3 out of 10 independent placement providers' rates not conforming to the Framework requirements. The final high risk relates to PARIS files not always including risk assessments, referral forms, evidence of matching and Form F assessment forms.</p> | | | | | | | |
| Asbestos | Strategy (SD Transactions & Services) | Limited Assurance | 5 | - | 4 | 1 | - |
| Scope of Audit: | Asbestos information provided to contractors | | | | | | |
| <p>The first high risk exception relates to 4 out of 8 Class H Vacuums being used for Asbestos removal without having a current certification in line with HSE guidance. The second high risk relates to 25% of Asbestos Action Returns not including enough clear information to update the asbestos database and action returns for jobs completed in January 2019 had not been updated by mid-June 2019. The third high risk relates to contractors being provided with asbestos information for only 8 out of the ten jobs sampled. The fourth high risk relates to there being no service owner for the asbestos removal framework to monitor contractor performance and relations. The medium risk exception relates to 2 (85%) of the 24 maintenance tradesman not having completed asbestos awareness training within the last three years.</p> | | | | | | | |



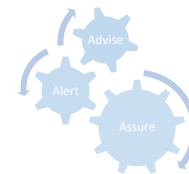
Follow up testing for 2017/18 Audit: Two high risks relating to annual inspections and incident reporting have been closed and verified. Two further high risks relating to contractor management and performance reporting remain in progress. The final high risk remains open as Responsible Persons are still not completing mandatory training.

11. Completed Follow up Audits between 31st May and 12th July 2019

| Project Name | Follow Up Opinion | Original Opinion | Original Number of Issues /Exceptions | Critical Risk | High Risks | Medium Risk | Low Risk Improvement |
|--|--|--------------------------|---------------------------------------|---------------------------|------------|-------------|----------------------|
| Disaster Recovery & Business Continuity | Limited Assurance | Limited Assurance | 4 | - | 4 | - | - |
| Actions Outstanding: | Three high risks remain in progress. | | | Percentage Closed: | | 25% | |
| Summary of Follow Up: | Follow up testing has ascertained that one high risk could be closed and verified now a cyber response plan and training has been implemented. A high risk relating to disaster recovery support remains in progress as the authority continues to adopt a cloud model for all new SCC IT systems. The final two high risks also remain in progress as critical activity appendixes to Business Continuity Plans are yet to be completed to help management in the recovery of critical services when there is a loss of critical IT applications and/or no internet access. | | | | | | |
| British Gas | Limited Assurance | Limited Assurance | 6 | - | 6 | - | - |
| Actions Outstanding: | Three high risks remain in progress and two remain open. | | | Percentage Closed: | | 17% | |
| Summary of Follow Up: | Follow up testing ascertained that a high risk remained open as a further £209,314 has been made to AECOM without any evidence it followed a compliant procurement route, this comes after it was initially highlighted £316,392 had been paid against a purchase order without a formal agreement in place breaching the EU threshold. Another high risk remains open as there is no monitoring of the British Gas contract through KPIs. A high risk remains in progress as the Project Handbook created to ensure that nominated contractors will be subject to Contract Procedure Rules is in draft. A high risk relating to budget overspends remains in progress while the amended commitment reports and Business World is implemented to improve visibility of costs in the system. The final high risk remains in progress while the project management guide is finalised and communicated to staff to improve project management. | | | | | | |
| Accounts Payable | Limited Assurance | No Assurance | 8 | - | 6 | 1 | 1 |



| <i>Project Name</i> | <i>Follow Up Opinion</i> | <i>Original Opinion</i> | <i>Original Number of Issues /Exceptions</i> | <i>Critical Risk</i> | <i>High Risks</i> | <i>Medium Risk</i> | <i>Low Risk Improvement</i> |
|---|---|-------------------------|--|---------------------------|-------------------|--------------------|-----------------------------|
| Actions Outstanding: | Four high, one medium and one low risk remains in progress. | | | Percentage Closed: | | 25% | |
| Summary of Follow Up: | Follow up testing was able to close down two high risks relating to keeping sensitive data secure. A high risk relating to Total system access remains in progress as users still have a level of access greater than their roles including access to System and File Maintenance groups. The second high risk remains in progress as only 10.35% of payments auto matched in the 2018/19 financial year, this is a slight improvement as the function to bypass goods received notes has been removed from all users outside of system support. The third high risk remains in progress as at the time of testing late payments awaiting manger authorisation totalled £1.45M making the authority liable for statutory interest of 8.5%. The fourth high risk remains in progress while duplicate payment analysis is not undertaken. The medium risk remains in progress awaiting a further data cleanse of the supplier Masterfile before Business World. The low risk improvement remains in progress while an active Agresso account is investigated. | | | | | | |
| Procurement & Strategic Contract Framework | Limited Assurance | No Assurance | 7 | 1 | 5 | 1 | - |
| Actions Outstanding: | One critical & 4 high risks remain open, one high risk is pending. | | | Percentage Closed: | | 15% | |
| Summary of Follow Up: | Some areas of the 2017/18 Audit have not yet been retested to allow time for the agreed actions to be implemented and enable changes to be embedded. A full Audit in this area will therefore be completed during 2019/20, as agreed at the Governance Committee. The audit follow up work has identified that a number of actions have been progressed to improve compliance with the procurement arrangements. The implementation of the requisitioning process has enabled a way to identify non-compliant spend and also identify Contracts in place that have not been included on the Contracts Register, however this process is only in place for orders raised in Agresso and not for orders raised on numerous other IT systems used by some services within the Council. | | | | | | |



12. Public Sector Internal Audit Standards

Introduction

- 12.1 Under the Public Sector Internal Audit Standard (PSIAS) 1310 requires that, as part of the quality assurance and improvement programme internal and external assessments (of conformance with the Standards) must be undertaken. Standard 1311 allows for periodic self-assessments, which for Portsmouth City Council has been carried out each year since the standards were introduced and for Southampton City Council, since the new in-house service was reintroduced and the Partnership with Portsmouth City Council commenced. The results of the self-assessments have been communicated annual alongside the annual audit opinion to this committee.
- 12.2 Standard 1312 requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Standards state that a qualified assessor demonstrates competence in two areas; the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. An independent assessor means not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. During 2017-18 an external assessment was undertaken on Portsmouth City Council's Internal Audit & Counter Fraud Service and an external assessment will be commissioned for Southampton City Council during the next three years.

Position Update

- 12.3 In summary the independent assessor confirmed that the section (Portsmouth City Council) can demonstrate the delivery of a professional, independent and objective service that contributes to the good governance of the organisation and are able to deliver an annual audit opinion in accordance with the Standards. There were three areas of exception as noted below:
- (a) Standard 1100 requires that the Chief Internal Auditor (CIA) confirms annually to the board (GAS) the organisational independence of the internal audit activity. **ACTION TAKEN: A statement confirming the organisational independence of the internal audit activity has been included in this report under items 1.9 to 1.12.**



- (b) Standard 1110 (public sector requirements) states that the Chief Executive undertakes, countersigns, contributes feedback or reviews the performance appraisal of the CIA. The CX has requested that the Director of Finance and s151 Officer as the main client of the Service and the Deputy Chief Executive and Monitoring Officer as another key client, be asked for feedback. **ACTION TAKEN: Feedback and challenge is provided through the Council's performance management arrangements which include the Corporate Governance Board, and regular 1:1's with both the Deputy Chief Executive (Monitoring Officer) and the s151 Officer.**
- (c) Standard 1320 requires that the CIA must report the results of the quality assurance and improvement programme to senior management including conclusions and any corrective action and include this in the annual report to the board (GAS). **ACTION TAKEN: The Quality Assurance results have been included in this report under item 6.**

12.4 During 2018-19 two self-assessments has been performed against the Standards & Code of Ethics, the results of which are that the Internal Audit service provided at Southampton City Council and by Portsmouth City Council is in compliance with the requirements of the Public Sector Internal Audit Standards.

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Agenda Item 8

| | | | |
|---|--|--|--------------------|
| DECISION-MAKER: | | Governance Committee | |
| SUBJECT: | | Project and Programmes Quarterly Report | |
| DATE OF DECISION: | | 29 th July 2019 | |
| REPORT OF: | | Interim Director Finance and Commercialisation | |
| <u>CONTACT DETAILS</u> | | | |
| AUTHOR: | Name: | Munira Holloway | Tel: 023 8083 4476 |
| | E-mail: | Munira.holloway@southampton.gov.uk | |
| Director | Name: | John Harrison | Tel: 023 8083 4897 |
| | E-mail: | John.harrison@southampton.gov.uk | |
| STATEMENT OF CONFIDENTIALITY | | | |
| None | | | |
| BRIEF SUMMARY | | | |
| Summary of key projects and programmes in formal stages of project governance as reported to the Council Management Team programme board. | | | |
| RECOMMENDATIONS: | | | |
| | (i) | Report to be noted. | |
| REASONS FOR REPORT RECOMMENDATIONS | | | |
| 1. | In order to update the Governance Committee on the key activities, projects and programmes currently in progress. | | |
| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | | | |
| 2. | None | | |
| DETAIL (Including consultation carried out) | | | |
| 3. | <p>The purpose of the Council Management Team programme board is as follows:-</p> <ul style="list-style-type: none"> • To act as a gate 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 • Standard project documentation (Plan, Business case, ESIA, DPIA, RAID log etc) in situ and updated as standard as part of project governance. <p>We are currently working with colleagues across the council to support the definition and scope of key programmes and deliverables through to 2025.</p> | | |

| | |
|----|---|
| 4. | <p><u>RAG status and definitions</u> Red: Outside agreed parameters, Amber: At risk, Green: On track</p> <p>7 currently overall RAG status green 5 currently overall RAG status amber 0 currently overall RAG status red 1 completed since last report</p> |
| 5. | <p><u>Customer Relationship Management system</u> Project stage: Design Phase 1 - To improve customers' experience when contacting the council by upgrading the current CRM system and introducing a digital assistant to answer questions on the website. Expected completion: Go live November 2019 Overall project status: Green Budget: Green</p> |
| 6. | <p><u>Kentish Road development</u> Project stage: Design Develop the site at Kentish Road ensuring the building and space of the site provide a better return and opportunities to Adult Social Care. Expected completion: tbc Overall project: Green Budget: Not yet confirmed.</p> |
| 7. | <p><u>St Marks school</u> Project stage: Design 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. Additional resource capacity released to support delivery. Expected completion: Handover – July 2022; Defects – July 2023 Overall project status: Amber – Undergoing a procurement process with the ESF framework (specialist procurement for school buildings). Intention is still to deliver within budget and timescales; update to be provided later in the year. Budget: Amber (see above)</p> |
| 8. | <p><u>Client Case Management system replacement</u> Project stage: Design Supporting the changes to the way we work in Adults and Children's areas through the implementation of a new IT system (CareDirector) which will replace PARIS. Expected completion: 2020 Overall project status: Amber – revised plan being developed, based on supplier release dates of latest version.</p> |

| | |
|-----|--|
| | Budget: Amber - initial estimates being reviewed as part of design stage. |
| 9. | <p><u>Clean air zone</u> Project stage: Delivery Review of measures to be undertaken in Southampton to achieve compliance with air quality standards in accordance with EU requirements. Expected completion: 2021 Overall project status: Green</p> |
| 10. | <p><u>Adults residential</u> Project stage: Delivery Closure of Glen Lee residential home and associated re-provision of care and support for residents. Expected completion: September 2019 Overall project status: Green Budget: Green</p> |
| 11. | <p><u>Smart ways of working (Phase 1 – Civic centre areas)</u> Project stage: Delivery First part of a wider programme (including accommodation changes) to enable employee and manager capability to work effectively in a flexible environment and better support residential, business and visitor customers. Expected completion: March 2020 Overall project status: Green Budget: Green</p> |
| 12. | <p><u>Housing Improvement Programme</u> Project stage: Delivery 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. Expected completion: December 2019 (IT upgrade) Overall project status: Amber (at risk due to BAU IT issues potentially impacting upgrade timescales). Budget: Green</p> |
| 13. | <p><u>Potters Court</u> Project stage: Delivery 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. Expected completion: Handover - October 2020, Defects - October 2021 Overall project status: Green Budget: Green</p> |
| 14. | <p><u>Insourcing of Capita contract (Sage)</u> Project stage: Delivery Insourcing of work, services and staff from Capita back to SCC. Expected completion: September 2019 – Transfer date 23rd July</p> |

| | |
|---|---|
| | <p>Project status: Amber (at risk due to the amount of work still to do with a hard deadline of 23rd July). Transfer will take place on agreed date, there are likely to be some issues still requiring resolution post transfer date.</p> <p>Budget: Green</p> |
| 15. | <p><u>Business World</u></p> <p>Project stage: Delivery</p> <p>Changing the way we work ourselves, 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>Expected completion: Go live October 2019</p> <p>Overall project status: Amber (at risk due to level of testing still required to provide assurance. Additional resource being secured to assist the team to minimise the risk.).</p> <p>Budget: Amber – budget being reviewed; forecast overspend due to changes in scope and delay to go live.</p> |
| 16. | <p><u>Townhill Park (Plot 1)</u></p> <p>Project stage: Complete</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>Expected completion: March 2019</p> <p>Overall project status: Complete</p> <p>Budget: Green</p> <p>Programme of future plot phases and delivery will be available in the autumn.</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. | S.1 Localism Act 2011, S.111 Local Government Act 1972. |
| <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: | |
| <u>SUPPORTING DOCUMENTATION</u> | |
| Appendices | |
| 1. | None |
| 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 |

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| DECISION-MAKER: | GOVERNANCE COMMITTEE | | |
| SUBJECT: | Quarterly HR Statistics | | |
| DATE OF DECISION: | 29 th July 2019 | | |
| REPORT OF: | Service Director, HR and OD | | |
| <u>CONTACT DETAILS</u> | | | |
| AUTHOR: | Name: | Janet King | Tel: 023 8083 2378 |
| | E-mail: | Janet.king@southampton.gov.uk | |
| Deputy Chief Executive | Name: | Mike Harris | Tel: 023 8083 2882 |
| | E-mail: | Mike.harris@southampton.gov.uk | |

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| STATEMENT OF CONFIDENTIALITY | |
| None. This report contains no personal information relating to specific individuals. | |
| BRIEF SUMMARY | |
| The Governance Committee requested quarterly, council wide information on key employment data covering disciplinaries, dismissals, referrals to the police, suspensions and grievances. Additional summary information on levels of staff sickness was requested from September 2018 onwards. | |
| The report format is as requested and agreed with the Governance Committee and reflects Q1 for 2019/2020. | |
| RECOMMENDATIONS: | |
| | (i) To note the Quarter 1 2019/20 HR statistics as requested. |
| REASONS FOR REPORT RECOMMENDATIONS | |
| 1. | As requested by the Governance Committee. |
| 2. | |
| ALTERNATIVE OPTIONS CONSIDERED AND REJECTED | |
| | N/A |
| DETAIL (Including consultation carried out) | |
| 3. | <p>Quarter 1: In the period April 2019 – June 2019 the Council had:</p> <p>A total of 11 dismissals:</p> <ul style="list-style-type: none"> • 2 on disciplinary grounds • 1 for capability • 1 via settlement agreement • 1 as a result of service restructures • 6 for sickness absence • 0 during probationary period |

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| | <ul style="list-style-type: none"> • 0 Step 3 grievance resolution cases • 3 suspensions • 0 Appeals against dismissal with the dismissal decision upheld in each case |
| 4. | <p>Overall sickness levels for the council showed an average 12.19 days per employee (5.22%). This is a reduction of 0.3 days per FTE for the same quarter last year when the figure was 12.49 days per employee.</p> <p>The sector “average” is 8.5 days. Short term absence accounts for 92% of the overall absence occurrences, whilst long term sickness accounts for 8% of the overall absence occurrences.</p> |
| 5. | <p>The HR team provide managers with monthly absence data and detail and look to identify and address “hot spots” and underlying issues against which to target interventions including information, support, occupational health appointments, phased return and in some cases, dismissal.</p> <p>A target reduction of number of days lost to sickness will see an increased focus in return to work meetings, manager workshops, occupational health sessions for staff and the offer of Autumn flu jabs. Managers are sent monthly data on sickness absence and the HR Advisors work with each service to agree return to work action plans or exit plans for those staff who are unable to have any return to work date in place due to underlying absence causes. Improved reporting and tracking will ensure cases are closed on the system in a more timely manner.</p> |
| 6 | <p>At the last meeting of the Governance Committee, members requested two examples of sickness absence cases that have been resolved through proactive action plans.</p> <p><u>Example 1 – Robust Management of Frequent Absence</u></p> <p>Employee 1 had worked for the Council for 4 years, in a front-line, customer facing role. Latterly the member of staff developed a pattern of frequent sickness absence. The supervisor conducted return to work interviews in line with Council procedure. The employee subsequently exceeded the Council’s sickness absence trigger of 10 days/5 occasions and the manager commenced the formal steps of the procedure, including allowing time for an improvement in attendance.</p> <p>As the member of staff’s attendance failed to improve an attendance management dismissal hearing was convened at which a further period of time for improvement was agreed.</p> <p>No improvement in attendance was forthcoming. The member of staff was therefore called to a second hearing and adjournment agreed whilst further Occupational Health advice was sought. Occupational Health confirmed there were no underlying reasons for the sickness absence and the employee was therefore dismissed.</p> <p>The employee appealed the dismissal and, taking into account all the circumstances of the case, the appeal panel upheld the dismissal.</p> |

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| <u>Example 2 – Successful Redeployment</u> | |
| Employee 2 has worked for the Council for over 12 years. The person went onto long-term sick leave due to a skin condition, which the employee believed was associated with chemicals used in their role. Occupational Health advised the manager that the employee was unable to return to the substantive post and recommended redeployment as a reasonable adjustment. | |
| The member of staff was placed on the Redeployment Register and was duly redeployed to a different service. The new role is in a completely different discipline, in a different Directorate. To support the redeployment, training and a vocational qualification was offered by management, and welcomed by the employee. The person undertook a trial period and was successfully confirmed into the new post. | |
| RESOURCE IMPLICATIONS | |
| <u>Capital/Revenue</u> | |
| 6. | None |
| <u>Property/Other</u> | |
| 7. | None |
| LEGAL IMPLICATIONS | |
| <u>Statutory power to undertake proposals in the report:</u> | |
| 8. | None |
| <u>Other Legal Implications:</u> | |
| 9. | None |
| RISK MANAGEMENT IMPLICATIONS | |
| 10. | None |
| POLICY FRAMEWORK IMPLICATIONS | |
| 11. | None |

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| KEY DECISION? | No |
| WARDS/COMMUNITIES AFFECTED: | |
| <u>SUPPORTING DOCUMENTATION</u> | |
| Appendices | |
| 1. | Q1 HR table of data (Summary) |
| 2. | Q1 Sickness absence data (Summary) |
| Documents In Members' Rooms | |
| 1. | |
| 2. | |
| Equality Impact Assessment | |

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| 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. | | |
| 2. | | |

Select Report: **SCC**
 Status

Target = < 8.5 days = Green, 8.5 - 10 days = Amber, > 10 days = Red

| Team | Metric | Sickness Absence Days Per Employee | Sickness Absence Days Per Employee (Leavers Exc.) | Movement (Month on Month) | Sickness Absence Hours | FTE Days Lost |
|---------------------------------------|--------|------------------------------------|---|---------------------------|------------------------|---------------|
| | Target | 8.5 | | | | |
| | Status | | | | | |
| SCC | | 12.19 | 11.37 | 0.22% | 262,913 | 35,529 |
| Adults, Housing & Communities | | 15.03 | 13.98 | -0.57% | 107,806 | 14,568 |
| Children & Families | | 12.22 | 10.86 | 0.27% | 50,866 | 6,874 |
| Digital & Business Operations | | 11.89 | 10.09 | 1.09% | 13,353 | 1,804 |
| Strategic Finance & Commercialisation | | 8.12 | 7.69 | -0.53% | 9,093 | 1,229 |
| Growth | | 5.19 | 4.86 | 0.22% | 11,515 | 1,556 |
| Human Resources & Org Development | | 1.26 | 1.17 | 0.54% | 255 | 35 |
| Intelligence Insight & Communications | | 2.48 | 2.42 | 0.06% | 986 | 133 |
| Legal & Governance | | 5.36 | 5.03 | 0.30% | 2,473 | 334 |
| Public Health | | 0.36 | 0.36 | 0.15% | 19 | 3 |
| Quality & Integration | | 8.36 | 9.39 | -0.42% | 2,978 | 402 |
| Transactions & Universal Services | | 14.93 | 14.57 | -0.62% | 63,452 | 8,575 |

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| Metric |
| Sickness Absence Days Per Employee |
| Sickness Absence Days Per Employee (Leavers Exc.) |
| Movement (Month on Month) |
| Sickness Absence Hours |
| FTE Days Lost |
| No. of Employees with 5 or more occurrences of sickness absence |
| No. of Employees with 10 or more days sickness absence |
| Total No. of Employees who hit a Trigger Point |
| Total Staff who hit a Trigger Point in the last month |
| Short Term Sickness Absence % |
| Long Term Sickness Absence % |

| Definition |
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| Total number of days lost to sickness absence/Total number of employees (Over a rolling 12 months). This metric includes leavers within the rolling 12 months. |
| Total number of days lost to sickness absence/Total number of employees (Over a rolling 12 months). This metric excludes leavers. |
| Sickness absence (current month) - Sickness absence (previous month). A negative percentage indicates that the absence rate has reduced, whereas a positive percentage shows the absence rate has increased. |
| Total number of hours lost to sickness absence over the last 12 months. This metric includes leavers. |
| Total number of days lost to sickness absence over the last 12 months. This metric includes leavers. |
| Total number of employees who have had 5 or more occasions of sickness absence in the last rolling 12 months. This metric includes leavers within the rolling 12 months. |
| Total number of employees who have had 10 or more days of sickness absence in the last rolling 12 months. This metric includes leavers within the rolling 12 months. |
| Total number of employees who have hit either 5 or more occasions of absence or have had 10 or more days sickness in the last rolling 12 months. This metric includes leavers within the rolling 12 months. |
| This is the total number of employees who hit a trigger point within the last month |
| The % of sickness absence which is considered 'short term'. (20 days or less) |
| The % of sickness absence which is considered 'long term'. (More than 20 days) |

- Please note the structure of the teams is extracted from Resource Link. If this is incorrect, please liaise with HR Pay to correct this.