SUBJECT:	**Internal Audit: Progress Report**
MEETING:	**Governance Committee**
DATE OF MEETING:	**10th December 2012**
REPORT OF:	**Chief Internal Auditor**
REPORT DATE:	**31 October 2012**

1   Opinion definitions

Opinion	Framework of governance, risk management and management control
Substantial assurance	A sound framework in place that is operating effectively. Some immaterial evidence of inconsistent application.
Adequate Assurance	Basically a sound framework in place but with recurring evidence of inconsistent application.
Limited assurance	Critical weakness(es) identified within the framework and / or significant evidence of inconsistent application.
No assurance	Fundamental weaknesses have been identified or the framework is ineffective or absent.

2 Status of 'live' reports:

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
School Admissions	19/08/11	Children's Services & Learning	Adequate	Substantial	3(1)	-	2(1)	1(0)
Day Care Thematic review	19/03/12	Health and Adult Social Care	Limited	Substantial	28(12)	-	25(12)	3(0)
Locality Teams	20/04/12	Health and Adult Social Care	Adequate	Adequate	4(4)	-	-	4(4)
Payroll	21/05/12	Corporate Services	Adequate	Substantial	22(18)	1(0)	20(17)	1(1)
Teachers Pension	24/05/12	Corporate Services	No	Limited	16(16)	-	10(10)	6(6)
Repairs and Maintenance - Housing	12/06/12	Economic Development and Environment	Limited	Adequate	13(5)	5(3)	8(2)	-
IT Solutions Development and Support	28/06/12	Corporate Services	Adequate	Adequate	3(0)	-	-	3(0)
Highways	01/08/12	Economic Development and Environment	Substantial	Substantial	2(0)	2(0)	-	-
Sports & Recreation Partnership	19/09/12	Economic Development and Environment	Adequate	Adequate	8(6)	8(6)	-	-
Bitterne Junior School	28/09/12	Children's Services & Learning	Adequate	Adequate	15(10)	6(3)	9(7)	-
Bitterne Infant School	05/10/12	Children's Services & Learning	Adequate	Adequate	15(9)	6(2)	9(7)	-
Mobile Phones	16/10/12	Corporate Services	No	Limited	10(3)	8(1)	2(2)	-

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Across school thematic - Procurement	09/11/12	Children's Services & Learning	Limited	Limited	17(8)	17(8)	-	-
Human Resources – Pre-employment Checks	09/11/12	Corporate Services	Limited	Limited	25(18)	16(9)	9(9)	-
Redbridge Community School	15/11/12	Children's Services & Learning	Adequate	Adequate	13(1)	9(1)	4(0)	-

3	**Executive summaries of new reports published where critical weaknesses or unacceptable levels of risk were identified:**

Audit title: Mobile Phones (18 Oct 2012)

Original published audit opinion: No Assurance

Current audit opinion: Limited Assurance

Executive summary:

At the time of the audit review 2307 mobile phones were in use across the Council (of which 459 were smart phones / Blackberry's)

The current mobile phone policy was last reviewed in 2005 and whilst it did provide guidance on the use of the mobile phone for private calls and the rules regarding reimbursement it did not reflect the current technology used

There was no assessment undertaken prior to issue, in determining the business need for a mobile / smart phone. It was possible for any member of staff to request a mobile / smart phone with no authorisation from their line manager. Additionally there was no requirement for staff to sign a record to state that they would comply with the terms and conditions of the policy.

Capita IT monitor phone orders and deliveries. A database was maintained that records asset number, phone number, date issued and to whom. Despite guidance available on the Intranet for the cancellation and transfer of mobile phones, there was a lack of communication between departments and ITS to notify of changes in user.

Testing highlighted Sim cards had been transferred to private / other phones with the original handset passed to another member of staff. Such movements were not centrally reported or recorded.

The monitoring of mobile phone usage was the responsibility of cost centre managers. Procedures followed were inconsistent and there was no assurance that reimbursement was received for personal calls.

Due to the diverse nature of Council activity it was difficult to ascertain if all calls made were for business purposes. Clarification could not be established with regard to the use of text messages, internet usage and other mobile network calls detailed on the Vodafone statements received.

Management actions and update:

Procedures have been amended to enable an auditable process to track device allocation authorisation; and

Communication of the process for device cancellations and transfers

High priority actions overdue:

None

Audit title: HR Pre-employment Checks (09 Nov 2012)

Original published audit opinion: Limited Assurance

Current audit opinion: Limited Assurance

Executive summary:

CRB
The Criminal Records Bureau's (CRB) Code of Practice requires that all registered bodies must have a written policy to address a variety of key areas. The Council has two CRB policies, one for schools and another for non-schools, however, neither policy comprehensively covers all aspects of the 'COP' . Notable omissions include the handling and safeguarding of CRB certificate information.

Copies of CRB certificates were found to be held on some non-school and school personnel files for longer than six months. The unwarranted retention of documentation risks breach of legislative (Data Protection Act / Human Rights Act) and Code of Practice requirements.

Migrant Workers
The Council is licensed as a sponsor by the UK Border Agency to allow migrant workers into the UK and manage them. The UKBA specifies that the sponsor must notify the UKBA within 10 working days of specific events concerning the migrant worker including if their contract of employment ends e.g. through resignation or dismissal. HR Pay does not currently notify the UKBA of workers who leave the Councils employment.

HR Pay maintain a central record detailing current and past migrant workers (excluding those employed directly by schools). The spreadsheet shows when migrant workers visas/passports are due to expire in order to prevent illegal working. Testing of a sample of new starters noted that the spreadsheet was not routinely updated on a timely basis.

Despite a 'Preventing illegal working checklist' being available as part of the recruitment process, review highlighted inconsistent completion of the required paperwork or retention of necessary evidence to support the authenticity of key documentation.

General Recruitment

Following recruitment a 'new start file checklist' is completed by the HR Officer to record that all relevant paperwork has been received and necessary checks undertaken, which is then countersigned by an HR Manager.

Review highlighted a number of omissions and inconsistencies, most notably:

- o 6 of 14 checklists were not complete (1 relating to a TUPE transfer);
- o 1 was signed retrospectively following the selection of the employee file for an Ofsted inspection; and
- o 2 checklists were signed but omissions were highlighted, including, no details of a second referee, CRB or proof of ID / right to work.

Management actions and update:

Communication of required compliance with relevant legislation including duty to notify UKBA when sponsored migrants leave employment relayed to key staff;

Right to work checklists of successful applicants reviewed by the HR Shared Services Manager to ensure timely update of key records;

Right to work guidance notes updated;

Right to work checklist amended to emphasise the need to copy all relevant documents;

Additional quality control checks introduced;

Right to work checklists now form part of the school recruitment process;

Schools have been reminded of their responsibilities to monitor the status of migrant workers; and

A policy has been written relating to 'references' covering both schools and non-schools

High priority actions overdue:

None

Audit title: School Thematic Review - Procurement (09 Nov 2012)

Original published audit opinion: Limited Assurance

Current audit opinion: Limited Assurance

Executive summary:

Each of the schools visited as part of the thematic review were aware of the Council's Contract Procedure Rules regarding the requirements to obtain quotes for goods and services, however none were fully compliant with established procedures.

Clusters

Schools are seeking to improve their purchasing power by procuring as a cluster to attain improved value for money for goods and services. None of the schools visited were aware that when procuring goods and services as part of a cluster the total value of the contract should be considered and not disaggregated to the value per school.

The legal status of clusters is ambiguous and there was no guidance or policies available to schools with particular regard to procurement and shared services, to include financial delegated authorities, responsibilities for decision making, governance arrangements, responsibilities for contract management and liabilities

Declaration of Business and Outside Interests

Only one school visited had an up-to-date register of business and outside interests. Registers were found to be incomplete and did not include all governors, or staff with financial and budgetary responsibilities.

Contract Registers

Four of the seven schools visited did not maintain a contracts register as stipulated in the Contract Procedure Rules (CPRs) for contracts under £100,000. Of the three schools that did maintain a register two were found not to contain sufficient details to allow for effective management and monitoring of contracts.

Contract Specifications

Several contract and service level agreement (SLA) specifications did not define sufficiently the service to be provided in terms of its nature, quality standards, information, monitoring requirements and contract review procedures.

In all schools visited examples were found of school copies of contracts not being signed making it difficult to determine whether there was an enforceable contract in existence, or signed by a person with the appropriate delegated authority.

In most instances when procuring a service schools did not discuss their own individual requirements for inclusion in a service level agreement with a supplier, the exceptions being those for Payroll and HR providers. Schools accepted supplier's SLA's without any discussion of inclusion of additional requirements specific to the school.

Terms SLA

Health and Safety (Capita) maintain a data base which records legal and statutory maintenance and testing required in buildings throughout the council, including schools. Schools were requested in September 2011 to complete a spreadsheet and provide evidence that the required health and safety tests were being conducted in their school and any issues identified had been addressed.

Three schools visited who had opted out of the Terms SLA had not returned the required information to Health and Safety, assurance can not therefore be fully provided that legal and statutory testing is being conducted by appropriately qualified persons and that any issues identified had been addressed within the school.

Framework Agreements & Photocopiers

Schools spend a substantial amount of their budgets on photocopier leases. Total costs over a six year rental period ranged from £5,200 to £95,000 dependent on the number and type of copiers. Only two of the schools visited obtained quotes from County Supplies for the rental of photocopiers. The company have conducted a procurement process through pre-tendered bids with photocopier suppliers in order to obtain competitive rates.

Schools are not obliged to use suppliers from a framework agreement, however a quote can be obtained from a supplier and compared to other quotes the school obtains.

Management actions have been agreed to mitigate risk exposures

4	Internal Audit Performance

% of plan completion

Analysis of audit activity to date confirms that 51% of the 2012/13 audit plan (including 2011/12 c/f) is complete or work in progress.

5	Planning and Resourcing

The internal audit plan for 2012-13 was approved by the Management Board of Directors and the Audit Committee in April 2012. The audit plan will remain fluid to ensure internal availability to react to the changing needs of the Council. Progress against the plan is detailed within section 7

6	Fraud and Irregularities

Within the year we have assessed and where appropriate, advised, investigated or supported the investigation of seven allegations of fraud, corruption or improper practice. A number of these cases were allegations made under the Duty to Act (Whistleblowing) Policy. Of these:

- o 3 were investigated, but with no further action required;
- o 1 was investigated to assist police with their enquiries
- o 2 resulted in disciplinary action; and
- o 1 remains ongoing

7 Rolling work programme

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued *(proposed)*
2011/12 Audit Plan					
Housing and Council tax Benefits	✓	✓	✓	✓	16 Apr 2012
Locality Teams	✓	✓	✓	✓	20 Apr 2012
Payroll	✓	✓	✓	✓	21 May 2012
Teachers Pension	✓	✓	✓	✓	24 May 2012
General School Review – Weston Park Junior School	✓	✓	✓	✓	11 Jun 2012
Repairs and Maintenance - Housing	✓	✓	✓	✓	12 Jun 2012
General School Review – Harefield Primary School	✓	✓	✓	✓	12 Jun 2012
Computer Installations and Operations	✓	✓	✓	✓	13 Jun 2012
Main Accounting System	✓	✓	✓	✓	27 Jun 2012
IT Solutions Development and Support	✓	✓	✓	✓	28 Jun 2012
Provider Services	✓	✓	✓	✓	24 Jul 2012
Highways Futures	✓	✓	✓	✓	01 Aug 2012

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued *(proposed)*
Financial Management	✓	✓	✓	✓	24 Aug 2012
Sports and Recreation Partnership	✓	✓	✓	✓	19 Sep 2012
Mobile Phone Policy	✓	✓	✓	✓	16 Oct 2012
Human Resources	✓	✓	✓	✓	09 Nov 2012
Across School Thematic review	✓	✓	✓	✓	09 Nov 2012
General School Review – Redbridge Community School	✓	✓	✓	✓	15 Nov 2012
Debtors	✓	✓	✓	✓	
2012/13 Audit Plan					
Annual Governance Statement	✓	✓	✓	✓	29 May 2012
Teachers Pensions	✓	✓	✓	✓	*30 Nov 2012*
Street Cleansing and Parks & Open Spaces	✓	✓	✓	✓	*30 Nov 2012*
PUSH	✓	✓	✓	✓	N/A
Solent Sea Rescue Organisation	✓	✓	✓	✓	N/A
Reactive Fraud	N/A	N/A	N/A	N/A	N/A
Precautions against fraud	N/A	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued *(proposed)*
National Fraud Initiative	N/A	✓	✓	N/A	N/A
Capital Programme Management	✓	✓	✓	✓	
General school reviews:					
o Bitterne Junior School	✓	✓	✓	✓	28 Sep 2012
o Bitterne Infant School	✓	✓	✓	✓	05 Oct 2012
o Polygon School	✓	✓	✓	✓	05 Nov 2012
o Great Oaks Shool	✓	✓	✓	✓	*30 Nov 2012*
Schools Grant Funding	✓	✓			
Heating Charges	✓	✓	✓	✓	*30 Nov 2012*
European Funding	N/A	✓			
Procurement	✓	✓	✓	✓	
Public Health	✓	✓			
Income Transactions and Banking	✓	✓	✓	✓	*30 Nov 2012*
MARP - Multi Agency Resource Panel	✓	✓			
Fraud Thematic Review(s)	✓				

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued *(proposed)*
Change Programme - STEP	✓	✓			
Health and Safety					
Information Governance					
Human Resources					
Contract Management					
Project management					
Electoral Registration					
Code of Conduct (Members and Officers)					
Effectiveness of the Role of Internal Audit	N/A	✓	✓	✓	N/A
Housing rent collection and Debt Management					
Housing and Council Tax Benefits Administration	✓				
Accounts Payable					
Accounts Receivable*	✓	✓			
Council Tax	✓	✓			
NNDR	✓	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued *(proposed)*
Main Accounting System					
Payroll	✓	✓			
Income transactions & banking	✓	✓	✓	✓	
IT Applications & Operating Systems					
Network Management and Security					
Internet/e-mail					
Inventory Management					
Development Management					
Southampton New Arts Centre (SNAC)	✓	✓			
Across Schools -Thematic Review					
Locality Teams - Statutory Schools Work / Providers	✓	✓			
School support services					
Street Lighting PFI					
Waste and Recycling Services					
Itchen Bridge					

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued *(proposed)*
Housing Operation Transformation	✓	✓	✓	N/A	N/A
Sustainability (Use of Natural Resources / Carbon Reduction)					
Estate Regeneration	✓	✓			
Think Local, Act Personal - (Personalisation)					
Quality Control (Health & Adult Social Care)					
Safeguarding					
Financial Assessment Process*					
PARIS*					

* Combined for a consolidated review of Social Care Billing