

## Public Document Pack

# Audit Committee

Thursday, 18th March, 2010  
at 6.00 pm

### COMMITTEE ROOM 1 - CIVIC CENTRE

This meeting is open to the public

#### Members

Councillor Ball (Chair)  
Councillor Bogle (Vice-Chair)  
Councillor Beckett  
Councillor Daunt  
Councillor Fuller  
Councillor Wells  
Councillor Williams , R

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# PUBLIC INFORMATION

## **Role of the Audit Committee**

The Committee has responsibility for:-

- providing an independent assurance to the Standards and Governance Committee 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 statement of internal control;
- satisfying and providing assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies; and
- specifically, the oversight of, and provision of assurance to the Standards and Governance Committee on, the following functions:-
  - ensuring that Council assets are safeguarded;
  - maintaining proper accounting records;
  - ensuring the independence, objectivity and effectiveness of internal and external audit;
  - the arrangements made for co-operation between internal and external audit and other review bodies;
  - considering the reports of internal and external audit and other review and inspection bodies;
  - the scope and effectiveness of the internal control systems established by management to identify, assess, manage and monitor financial and non-financial risks (including measures to protect against, detect and respond to fraud).

## **Southampton City Council's Six Priorities**

- Providing good value, high quality services
- Getting the City working
- Investing in education and training
- Keeping people safe
- Keeping the City clean and green
- Looking after people

## **Public Representations**

At the discretion of the Chair, members of the public may address the meeting about any report on the agenda for the meeting in which they have a relevant interest.

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

**Mobile Telephones** – please turn off your mobile telephone whilst in the meeting.

**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.

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

## **Dates of Meetings: Municipal Year 2009/10**

<b>2009</b>	<b>2010</b>
Weds 24 June	<b>Mon 25 January</b>
Weds 23 Sept	<b>Thurs 18 March</b>
<b>Thurs 10 Dec</b>	

## CONDUCT OF MEETING

### **Terms of Reference**

The terms of reference of the Audit Committee are contained in Article 8 and Part 3 (Schedule 2) of the Council's Constitution.

### **Business to be discussed**

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

### **Rules of Procedure**

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

### **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 "personal" or "prejudicial" interests they may have in relation to matters for consideration on this Agenda.

### **Personal Interests**

A Member must regard himself or herself as having a personal interest in any matter

- (i) if the matter relates to an interest in the Member's register of interests; or
- (ii) if a decision upon a matter might reasonably be regarded as affecting to a greater extent than other Council Tax payers, ratepayers and inhabitants of the District, the wellbeing or financial position of himself or herself, a relative or a friend or:-
  - (a) any employment or business carried on by such person;
  - (b) any person who employs or has appointed such a person, any firm in which such a person is a partner, or any company of which such a person is a director;
  - (c) any corporate body in which such a person has a beneficial interest in a class of securities exceeding the nominal value of £5,000; or
  - (d) any body listed in Article 14(a) to (e) in which such a person holds a position of general control or management.

A Member must disclose a personal interest.

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## **Prejudicial Interests**

Having identified a personal interest, a Member must consider whether a member of the public with knowledge of the relevant facts would reasonably think that the interest was so significant and particular that it could prejudice that Member's judgement of the public interest. If that is the case, the interest must be regarded as "prejudicial" and the Member must disclose the interest and withdraw from the meeting room during discussion on the item.

It should be noted that a prejudicial interest may apply to part or the whole of an item.

Where there are a series of inter-related financial or resource matters, with a limited resource available, under consideration a prejudicial interest in one matter relating to that resource may lead to a member being excluded from considering the other matters relating to that same limited resource.

There are some limited exceptions.

Note: Members are encouraged to seek advice from the Monitoring Officer or his staff in Democratic Services if they have any problems or concerns in relation to the above.

## **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

Agendas and papers are now available on the Council's Website

### **1 APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)**

To note any changes in membership of the Committee made in accordance with Council Procedure Rule 4.3.

### **2 DECLARATIONS OF INTEREST**

In accordance with the Local Government Act 2000, and the Council's Code of Conduct adopted on 16<sup>th</sup> May 2007, Members to declare any personal or prejudicial interests in any matter included on the agenda for this meeting.

**NOTE:** Members are required, where applicable, to complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer prior to the commencement of this meeting.

### **3 MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

To approve and sign as a correct record the Minutes of the meeting held on 25<sup>th</sup> January 2010, and to deal with any matters arising, attached.

### **4 STATEMENT FROM THE CHAIR**

### **5 IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**

Report of the Executive Director for Resources, detailing the changes in practice to comply with the implementation of the International Financial reporting Standards, attached.

### **6 AUDIT COMMISSION: AUDIT AND INSPECTION PLAN PROGRESS REPORT**

Report of the Chief Internal Auditor, detailing the Audit and Inspection Plan Progress Report, attached

### **7 ANNUAL GOVERNANCE STATEMENT 2009-10**

Report of the Executive Director of Resources, detailing the Annual Governance Statement 2009-2010, attached.

### **8 INTERNAL AUDIT: STATUS OF WORK FEBRUARY 2010**

Report of the Chief Internal Auditor, the status of internal audit work within the Authority up to February 2010, attached.

**9 INTERNAL AUDIT: STRATEGIC PLAN 2010/11 TO 2012/2013**

Report of the Chief Internal Auditor, detailing the strategic plan for internal audit, attached.

**10 MONITORING AUDIT COMMITTEE RECOMMENDATIONS**

Report of the Democratic Support and Members Services Manager, requesting that the Committee considers the actions taken since the last meeting, attached.

## **AUDIT COMMITTEE**

### **MINUTES OF THE MEETING HELD ON 25<sup>th</sup> JANUARY 2010**

#### **Present**

Councillors Ball (Chair), Beckett, Bogle, Fuller (items 24-32 and 36 only), Parnell (items 24-27 and 36 only) and Wells.

#### **Also in attendance:**

Mr M Bowers, Audit Commission.

Joanne Anslow, Headteacher, Woodlands Community College for minute 36 only

#### **24. APOLOGIES AND CHANGES IN MEMBERSHIP**

Apologies were received from Councillors Daunt and R. Williams

#### **25. MINUTES OF THE MEETINGS HELD ON 23<sup>rd</sup> SEPTEMBER AND 10<sup>th</sup> DECEMBER 2009**

**RESOLVED** that the minutes of the meetings held on 23<sup>rd</sup> September and 10<sup>th</sup> December 2009 be approved and signed as correct records. (Copy of the minutes circulated with the agenda and appended to the signed minutes).

#### **26. EXCLUSION OF THE PRESS AND PUBLIC**

**RESOLVED** that in accordance with the Council's Constitution, specifically the Access to Information Procedure Rules contained within the Constitution, the press and public be excluded from the meeting in respect of Appendix 2 to minute 36 based on Categories 2 and 7 of Paragraph 10.4 of the Access to Information Procedure Rules. The information contained therein is exempt as it relates to ongoing investigations and is likely to reveal the identities of individuals. Having applied the public interest test it is not appropriate to disclose this information. The interests of any parties involved in these investigations could be jeopardised by the release of the information.

#### **27. AUDIT COMMISSION: AUDIT AND INSPECTION PLAN PROGRESS REPORT**

The Committee considered the report of the Chief Internal Auditor (Acting) concerning an update on progress against the 2009-10 Audit and Inspection Plan as presented to the 24th June 2009 meeting and setting out the audit and inspection work that the Audit Commission proposes to undertake for the 2008/09 financial year (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the Audit Commission's reports be noted and referred to the Overview and Scrutiny Management Committee for possible consideration.

**28. HIGHWAY SERVICES PARTNERSHIP PROCUREMENT**

The Committee considered the report of the Chief Internal Auditor (Acting) concerning a Progress Report from the Audit Commission highlighting key risks and issues associated with the above project in its role of adviser on risks to the Council. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the issues raised by the Audit Commission in Appendix 1 to the report and the Council's response to these issues in Appendix 2 be noted.

**29. ANNUAL TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS 2009/10-2012/13**

The Committee considered the report of the Executive Director of Resources concerning the City Council's Prudential Indicators, Treasury Management Strategy and summarising the main activities undertaken during 2009/10 to date. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED**

- (i) that the Treasury Management Strategy for 2010/11 as outlined in the report be endorsed;
- (ii) that it be noted that the indicators as reported have been set on the assumption that the recommendations in the Capital Update report will be approved and that should the recommendations change, the Prudential Indicators may have to be recalculated; and
- (iii) that it be noted that owing to the early timing of the report, amendments may still be required following the finalisation of capital and revenue budgets and therefore any significant changes to the report will be highlighted in the final version presented to Full Council.

**30. RISK MANAGEMENT ACTION PLAN 2009-10: STATUS REPORT**

The Committee considered the report of the Executive Director of Resources concerning a Status Report in accordance with the Authority's Risk Management Strategy and Action Plan. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the Risk Management Action Plan 2009-10: Status Report be noted.



**31. ANNUAL GOVERNANCE STATEMENT 2008/09 ACTION PLAN STATUS REPORT**

The Committee considered the report of the Executive Director of Resources concerning the Annual Governance Statement ('AGS') in accordance with the Accounts and Audit Regulations where the Council is required to complete an Action Plan Status document. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the contents of the AGS 2008-09 Action Plan Status document be noted.

**32. NATIONAL FRAUD INITIATIVE 2008-09**

The Committee considered the report of the Chief Internal Auditor (Acting) concerning the scope and timing of the national fraud initiative exercise. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the current status of the 2008-09 NFI data matching exercise be noted

**33. ASSURANCE MAPPING**

The Committee considered the report of the Chief Internal Auditor (Acting) concerning the action taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the position regarding the development of assurance mapping be noted.

**34. MONITORING AUDIT COMMITTEE RECOMMENDATIONS**

The Committee considered the report of the Democratic and Members' Services Manager concerning the monitoring and progress of previous committee recommendations. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the action taken since the last meeting be noted.

**35. IMPROVEMENT IN SCHOOL PERFORMANCE**

The Committee considered the report of the Executive Director of Children's Services and Learning concerning the Council's performance in relation to the target of pupils achieving level 4 or above in both English and Maths at Key Stage 2 and performance and attainment in the City's schools more generally. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that Overview and Scrutiny Management Committee be requested to commission and consider a report from the Executive Director and Cabinet member for Children's Services on the Council's performance in relation to the target of pupils achieving level 4 or above in both English and Maths at Key Stage 2 and performance and attainment in the City's schools more generally.

**36. INTERNAL AUDIT: STATUS OF WORK DECEMBER 2009**

The Committee considered the report of the Chief Internal Auditor (Acting) setting out the Internal Audit Status of Work report for the period ending 21<sup>st</sup> December 2009. (Copy of the report circulated with the agenda and appended to the signed minutes).

**RESOLVED** that the Internal Audit Status of Work report for the period ending 21<sup>st</sup> December 2009 be noted.

# Agenda Item 5

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	AUDIT COMMISSION: AUDIT AND INSPECTION PLAN PROGRESS REPORT		
<b>DATE OF DECISION:</b>	18 MARCH 2010		
<b>REPORT OF:</b>	CHIEF INTERNAL AUDITOR		
<b>AUTHOR:</b>	Name:	Neil Pitman	Tel: 023 80 834616
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## STATEMENT OF CONFIDENTIALITY

Not applicable.

## SUMMARY

The 2009-10 Audit and Inspection plans were presented to the Audit Committee on 24 June 2009. The audit and inspection plan is based on the Audit Commission's risk-based approach to audit planning as set out in the Code of Audit Practice and on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) Framework.

An update on progress against the Plan(s), together with reports issued, is attached as appendices to this report.

The Audit Commission work is governed by the 'Code of Audit Practice' which should be read along side the 'Statement of Responsibilities of Auditors and Audit Bodies' copies of which have been made available in the Members room.

## RECOMMENDATIONS:

- (i) To note the Audit Commissions reports as attached.

## REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee's Terms of Reference require it to be satisfied and provide assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the external auditors. Specifically, the Committee has responsibility for oversight of the reports of external audit.

## CONSULTATION

2. The reports, as attached, have been discussed and agreed with the appropriate officers.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None.

## DETAIL

4. The following Audit Commission reports are attached for consideration in the appendix:
  - Certification of Claims and Returns – Annual Report
  - Progress report – March 2010

The external auditor will be in attendance at the Committee meeting to answer any questions.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

5. None.

### **Revenue**

6. None.

### **Property**

7. None.

### **Other**

8. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

9. The duties and powers of auditors appointed by the Audit Commission are set out in the Local Government Act 1999.

### **Other Legal Implications:**

10. None.

## **POLICY FRAMEWORK IMPLICATIONS**

11. None.

## **SUPPORTING DOCUMENTATION**

### **Appendices**

1.	Certification of Claims and Returns – Annual Report
2.	Audit Commission: Progress report – March 2010

### **Documents In Members' Rooms**

1.	Code of Audit Practice 2008
2.	Statement of responsibilities of auditors and of audited bodies

### **Background Documents**

Title of Background Paper(s) None

**Background documents available for inspection at** N/A

**KEY DECISION?** Not applicable.

**WARDS/COMMUNITIES AFFECTED:** Not applicable.

# Countdown to IFRS

## Implementation in local government

Local authorities need to make urgent progress now to ensure that their 2010/11 accounts will meet the required standards and will not be late. They also need to ensure that their arrangements for managing the transition achieve good value for money.

Authorities should now act, if they have not already done so, to:

- develop and maintain a detailed project plan, including a budget and resource plan;
- conduct a detailed impact assessment;
- engage the wider organisation, because IFRS is not just a finance issue;
- ensure that their audit committee, or equivalent, is aware of the implications of IFRS; and
- begin a dialogue with their external auditor on the authority's plans and progress, and the issues arising.

**Successful implementation of International Financial Reporting Standards (IFRS) is vital to the reputation of individual local government bodies and the sector as a whole. Local authorities are falling behind CIPFA's indicative timetable.<sup>i</sup> This brings real risks, but the position is retrievable if authorities take urgent action now.**

Local authorities will prepare financial statements based on IFRS under the new *Code of Practice on Local Authority Accounting* for 2010/11. This paper reports local government's progress and highlights the need for authorities to take action now. Several milestones towards implementation have already passed, but the timetable can still be met, if authorities take the right steps now.

In May 2009, the Audit Commission published a briefing paper that considered project management and the issues that will have the most significant impact on authorities' accounts. In May and September 2007, we published papers on the introduction of IFRS into the public sector and what auditors can and cannot do to support local authorities as they prepare for the transition to IFRS.<sup>ii</sup>

This briefing paper draws on evidence collected in November 2009 by auditors of all local authorities, fire and rescue authorities and police authorities, on local government's readiness for the transition to IFRS. Further briefings will follow, which will focus on the main technical issues.

## **Local government needs to lead and manage the transition**

A failure to achieve successful transition to IFRS would cause significant reputational damage to individual local authorities and the local government sector as a whole. Poor preparation will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion or be published late. At a practical level, there is a risk that extra and unnecessary costs will be incurred.

**Only one authority in seven was on track**

Our IFRS survey of auditors found that only one authority in seven was on track, and one in five was having serious difficulties. Local authorities therefore need to satisfy themselves that proper arrangements are in place to manage this project and that the project is on track.

i This paper is relevant to local authorities, fire and rescue authorities and police authorities.

ii Further IFRS briefings are available at [www.audit-commission.gov.uk/ifrs](http://www.audit-commission.gov.uk/ifrs)

In the NHS, which is subject to a transition process similar to central government's, the Department of Health is managing the transition centrally and has set a series of trigger points for producing restated accounts, which bodies have to meet. Auditors have also been asked to review the arrangements that bodies have put in place for the transition and to give an opinion on IFRS-restated comparatives. We have issued a briefing for NHS bodies that highlights that, even within this more structured approach, individual bodies experienced problems and unanticipated technical issues arose.<sup>i</sup> Local government does not have an equivalent process as it is constitutionally separate from central government; it is for each local government body to manage the transition individually.

The private sector companies that planned and prepared early did not experience as great a diversion of resources as those which were not so well prepared. Advanced planning and detailed financial work is needed now to successfully meet IFRS by the statutory deadline.

## **Audit committees need to assure themselves the transition is on track**

Every audit committee, or the equivalent, should be sufficiently aware of the requirements of IFRS to ensure that the transition project is given suitable corporate priority. But our survey in November 2009 found that audit committees were not engaged with IFRS implementation. Forty-six per cent of authorities had not informed the audit committee of their transition plans and, in 59 per cent of authorities, the audit committee did not have a role in overseeing IFRS transition.

**Forty-six per cent of authorities had not informed the audit committee**

Audit committees are an important part of corporate governance. They are a key source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance.

IFRS are principles-based, so professional judgement and interpretation is necessary. A hallmark of successful implementation in health has been early and continuing communication with external auditors. Nearly a third of authorities had not discussed the IFRS transition with their auditor at the time of the survey. Local authorities should be having early discussions with their external auditors to understand and take a view on their interpretation of IFRS requirements. They cannot afford to leave this to the last minute.

Finance departments that have not already done so should report now on IFRS requirements to their audit committee (or equivalent) which should be seeking assurance on progress. Discussions between external auditors, finance teams and the audit committee, should be ongoing.

<sup>i</sup> *NHS Briefing Paper 7: Auditors' Review of Restated Comparatives for the 2009/10 Accounts*, February 2010, summarises key findings from auditors' work in relation to restatement of IFRS balances, which will also be helpful to practitioners in local government.

The importance of effective governance and management is highlighted by the risks identified by authorities as reported by auditors. Authorities' main concerns surround:

- the capacity to make the changes in the required timescale (expressed by 60 per cent of authorities);
- the preparation of accounts that do not meet requirements in all material respects leading to a qualified audit opinion (expressed by 27 per cent of authorities);
- technical capability (expressed by 20 per cent of authorities); and
- the potential impact on maintaining appropriate support to service delivery (expressed by 12 per cent of authorities).

## **Authorities need to complete and maintain a risk assessment**

If they have not done so, authorities need to complete and maintain a risk assessment for inclusion in their corporate risk register.

## **Authorities need to catch up**

Authorities are behind where they should be. CIPFA has drawn on lessons from other sectors and published LAAP Bulletin 80, *Implementation of IFRS: Outline Project Plan*, in March 2009. This set out a high-level outline project plan for local government bodies.

A project plan is essential. It can help to establish the basis for project governance, approval and monitoring, define roles and accountabilities, policies and standards and associated processes. The survey found that 77 per cent of authorities had a project plan for IFRS transition in November 2009, but just over three-quarters of these did not contain basic details such as a budget and a resource plan.

Table 1 shows that many authorities had not met key milestones in CIPFA's timeline which had already passed at the time of our survey. Although the timeline is only indicative, local government now needs to pick up the pace.



Table 1: **Examples where authorities lag behind the CIPFA timetable**

<b>Step</b>	<b>Latest recommended completion</b>	<b>Proportion of authorities which had not completed by November 2009 (%)</b>
Carry out high-level impact assessment	May 2009	42
Identify key staff	May 2009	20
Assess whether resources are adequate	May 2009	35 <sup>i</sup>
Develop skeleton Statement of Accounts under IFRS	September 2009 <sup>ii</sup>	95
Identify likely impact on budgets (if any)	September 2009	40

Source: Audit Commission

Authorities should not be waiting for CIPFA guidance, as the published Code is authoritative and provides the information needed to prepare IFRS based accounts.

**Authorities should not be waiting for CIPFA guidance**

### **Resources for transition activities should have been considered**

Authorities should have considered the resources required for the work involved in the transition to IFRS. We recommended in our third briefing paper, *Managing the Transition to IFRS*, that senior management needs to consider whether there are enough resources and skills available within the authority to achieve a timely and smooth implementation of the new standards.

<sup>i</sup> Thirty-five per cent had not established a budget for the transition in November 2009.

<sup>ii</sup> Assumes CIPFA/LASAAC agree formats in March 2009.

Our November 2009 survey found 65 per cent of authorities had not set a budget for transition. Occasionally auditors report this is because authorities have completed an impact assessment and know they can manage transition and ongoing reporting within current staff workloads. However, usually auditors report that this is because authorities do not yet know what the impact will be and therefore do not know what resources will be required.

We know from experience in other sectors that the resources required to manage the transition relate more to the nature and quality of existing systems and arrangements than the size or capacity of the organisation. Transition will incur costs; authorities that have not done so already should develop a detailed resource plan.

**There is a significant risk to value for money if there are delays in the transition**

Effective leadership and project management is essential to manage the costs of transition effectively. There is a significant risk to value for money if there are delays in the transition. These will lead to extra, avoidable costs to achieve the fixed deadline for the preparation of the accounts.

**Knowledge management is essential**

Authorities that hire external advisers to help with the IFRS transition need to work collaboratively with them rather than simply outsource. Sixty-three per cent of authorities are using, or plan to use, external advisers to help implementation, mainly for technical input. We do not recommend wholesale externalisation of the IFRS implementation process, unless there is an effective transfer of knowledge between finance and any external consultants. This will lessen the learning curve and help ensure that IFRS reporting is repeatable once the initial change-over is completed.

If authorities decide to use external consultants, they need to make arrangements sooner rather than later to avoid higher costs and to ensure proper arrangements for knowledge transfer can be put in place.

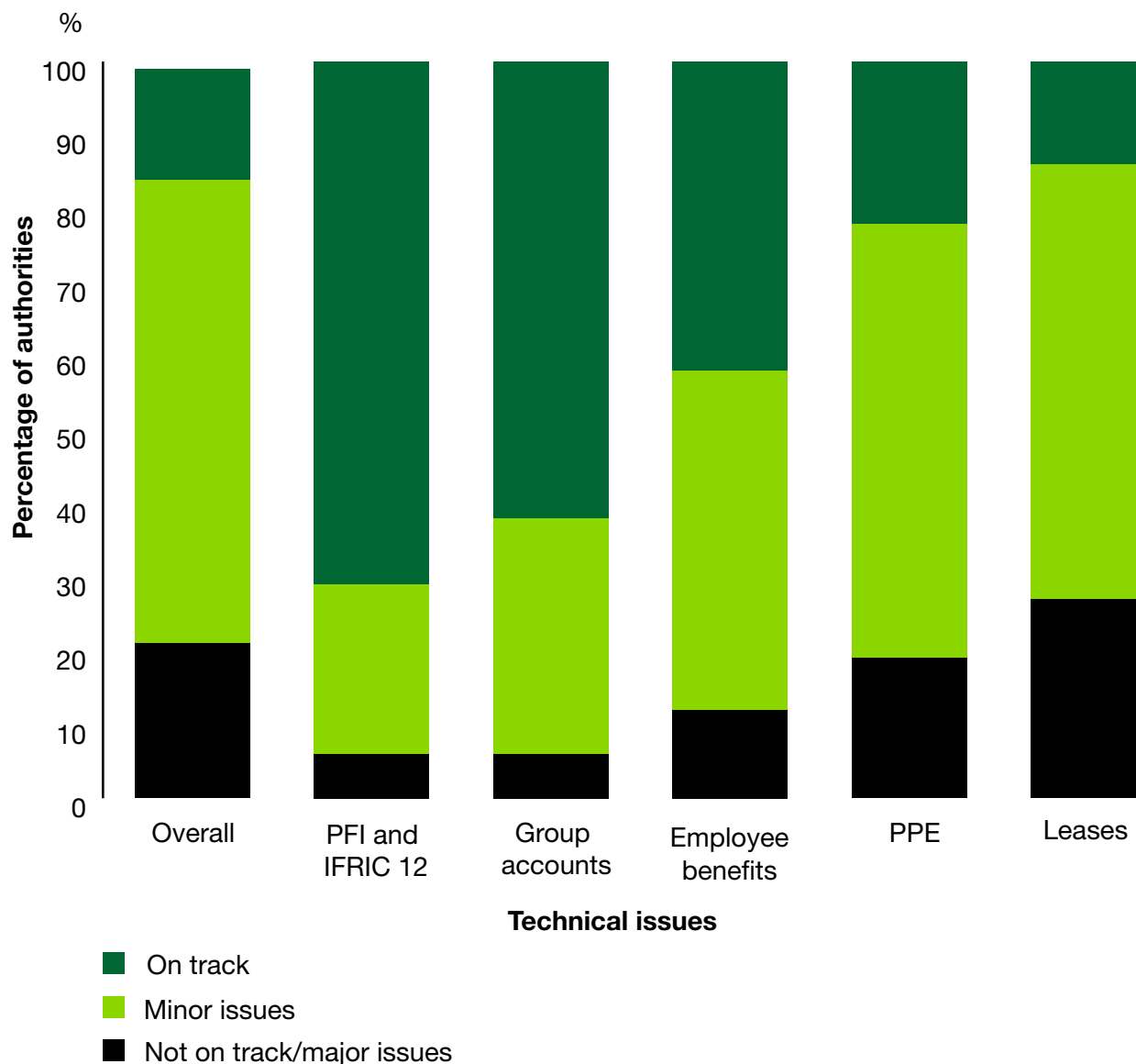
Individuals both inside and outside the financial reporting function, at different levels of seniority, will require some degree of training on IFRS. For some, this knowledge will be necessary to perform their jobs, while for others the understanding will clarify how IFRS may impact on them. Ninety-nine per cent of authorities have already trained staff, or plan to train them, in preparation for IFRS implementation. Training is even more important given auditors' recent continuing concerns about the skill level of staff delivering working papers and financial information for audit.<sup>i</sup>

<sup>i</sup> Thirteen per cent of local authority auditors have reported concerns to the Audit Commission about the skill level of staff delivering working papers and financial information for audit.

## Identification and assessment of the technical impact on accounts is needed urgently

Figure 1: Auditor assessment overall and against key technical areas

Auditor assessments show that property, plant and equipment, and leases are key problem areas for authorities



Source: Audit Commission

Authorities need to address operational and technical issues. In our November 2009 survey, auditors assessed authorities' progress in each of the main technical areas that are likely to have the most significant impact on authorities' accounts and overall. Overall, 15 per cent of authorities were rated as on track, 63 per cent rated as having minor issues, and 21 per cent rated as not on track and having major issues.

## Forty-two per cent of authorities had not yet completed an initial impact assessment

Key local drivers for change should be identified through an early analysis of how each IFRS will impact on the authority's systems, structures, people, internal or external financial reporting, and service reporting needs. Forty-two per cent of authorities had not yet completed an initial impact assessment in November 2009 whereas CIPFA had recommended that this work should be completed by June 2009.

There are also signs that even those authorities that have made an impact assessment have focused on the most widely reported technical issues, rather than working out what IFRS will mean to their authority. Authorities that have not already done so should complete an impact assessment now. All authorities should now be conducting detailed technical analyses and updating their initial impact assessment regularly.

### IFRIC 12 requires urgent attention

Authorities need to be certain that they have identified all arrangements that may fall under IFRIC 12 now. In the NHS many arrangements were not identified early in the transition process. This caused delays and auditors reported concerns to the Department of Health, as we highlighted in our briefing for NHS bodies.

International standards do not directly address Public Finance Initiative (PFI) accounting. IFRIC 12: *Service Concession Arrangements* looks at such arrangements from the perspective of the private sector service provider. While the IFRIC interpretation does not specifically address PFI accounting, the circumstances it addresses are analogous to those found in a PFI scheme. In most PFI schemes we would expect to see the PFI asset appearing on the public sector balance sheet.

It is also important to recognise that it is not only schemes previously identified as PFIs that will be affected. IFRIC 12 applies to other arrangements, with similar characteristics. So even if an authority thinks it may not be affected by this change, it could be. That is why carrying out an impact assessment is essential.

This issue is particularly pressing, because the CIPFA/LASAAC joint committee has opted to adopt IFRIC 12 earlier than the rest of the international standards.<sup>i</sup> The 2009/10 Statement of Recommended Practice requires authorities to prepare financial statements using IFRIC 12.

<sup>i</sup> With the exception of financial instruments.

Although the survey found that 71 per cent of authorities were reportedly on track for PFI and IFRIC 12, most authorities had not yet completed a detailed impact analysis. Those that had were far less likely to be confident that they were on track. Experience from the NHS and central government suggests that accounting for arrangements falling under IFRIC 12 is complex and time-consuming. Often, the information needed is either held by a service department or by a third party and getting this information can be difficult. Deciding the bases for measuring and valuing the arrangements has also proved challenging. Local authorities need to act with urgency to ensure that the information is available for the 2009/10 financial statements. It should not – and cannot – be left to the year-end to resolve.<sup>i</sup>

## Finance departments cannot do this alone

One of the principal lessons learned from the NHS and central government experience is that IFRS affects all parts of an organisation. To succeed, the change must be embedded across the wider organisation, involving people at all levels. It is not just a finance issue: corporate direction is essential.

Authorities will need to collect and collate extra or new data that is not readily available. Where this is the case, clear decisions should be taken on how that extra data is to be captured. Departments such as finance, internal audit, estates, IT, human resources and legal have key roles to play, and this needs senior management involvement and leadership. Experience suggests that if the transition is not supported by senior management and an organisation-wide approach is not taken, IFRS implementation will be disjointed, take longer than necessary and be more expensive.

Sometimes, IFRS will require changes to existing systems or even the development of new systems. Not all of those systems will be under the control of the finance department. Therefore, there is a need to ensure that all departments that hold or produce information needed under IFRS are aware of the requirements and have signed up to ensure that information is available in time. Senior managers have a key role in embedding change throughout the organisation and imposing suitable internal controls to help lessen the risk of errors and make sure IFRS reporting is sustainable.

**Senior managers  
have a key role  
in embedding  
change**

Deciding on appropriate departmental representation on an IFRS project team will depend on each authority's impact assessment. Our survey found that, in addition to finance staff, typically IFRS project teams also include representatives from property (in 64 per cent of authorities), human resources (in 37 per cent of authorities), IT (in 23 per cent of authorities), and service departments (in 20 per cent of authorities).

<sup>i</sup> The Audit Commission has previously commented on the risks of viewing the year-end accounts as just a one-off annual exercise. Sometimes, the final accounts are the first occasion on which income and expenditure is properly accrued and a balance sheet is prepared. Following their work on the 2009/10 accounts, 24 per cent of local authority auditors expressed concerns about the quality or timeliness of financial information delivered for audit.

## Authorities can identify potential benefits

Implementation is a requirement and will come at a cost, but potential benefits have also been identified by authorities and reported to the Commission by auditors in the November 2009 survey. We have found that authorities that are identifying what needs to be done to improve systems, data and in-year management systems see benefits from transition work including:

- better understanding of contractual and lease commitments (acknowledged by 55 per cent of authorities);
- more accurate accounting for fixed asset components (acknowledged by 31 per cent of authorities); and
- better employee benefits data (acknowledged by 19 per cent of authorities).

## Further information

Auditors will be discussing the issues summarised in this briefing with their authorities and the Audit Commission will be conducting follow-up work in summer 2010.

The Audit Commission is also planning to publish further briefing papers over the coming months, covering issues arising from key areas such as leases, property, plant and equipment, and employee benefits.

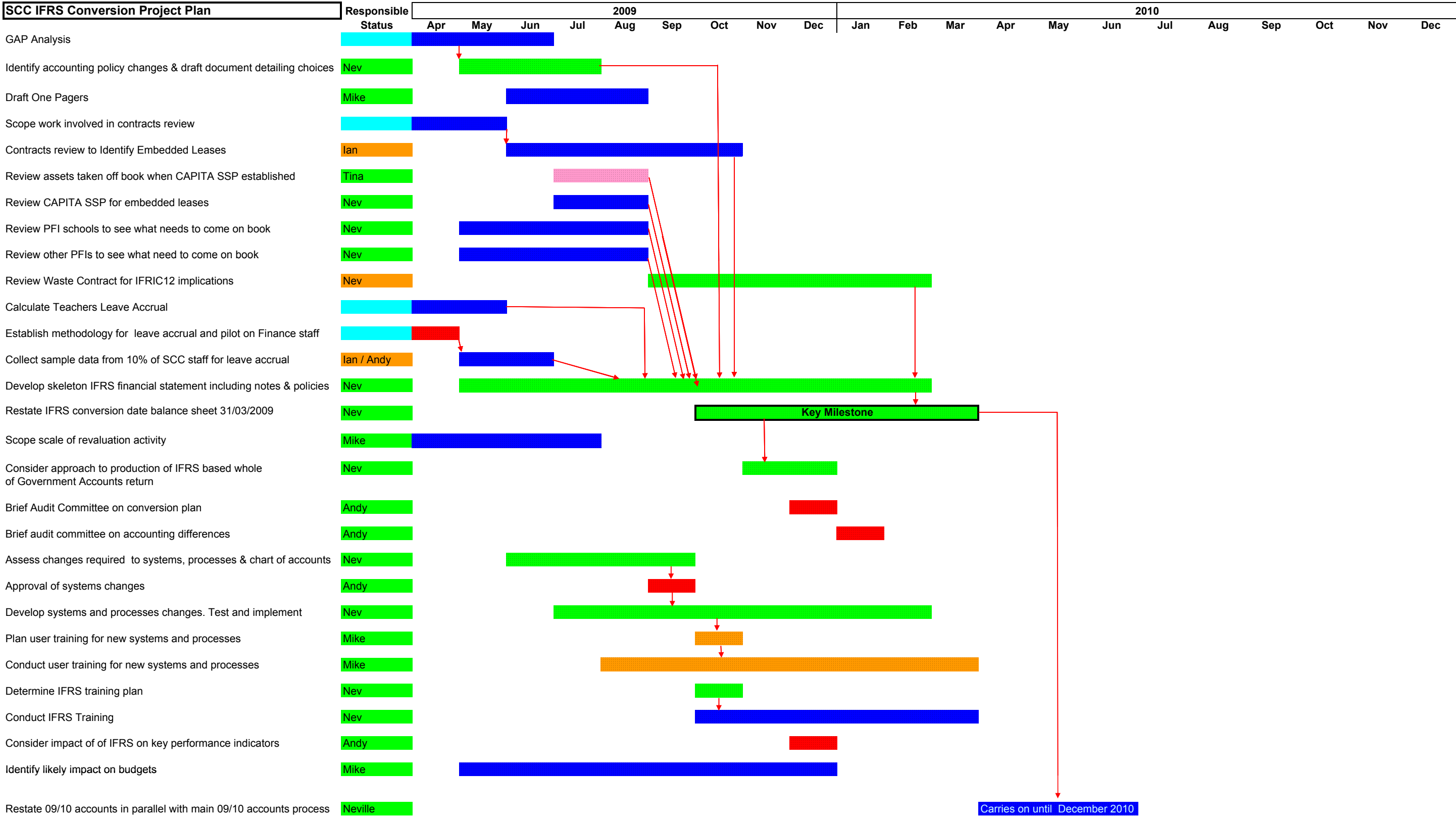
Please visit [www.audit-commission.gov.uk/IFRS](http://www.audit-commission.gov.uk/IFRS) for more information about IFRS and implementation work.

For further information on the work of the Commission please contact:  
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Telephone: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946  
[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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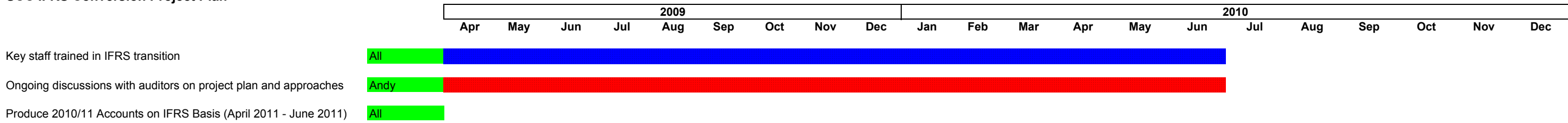


**SCC IFRS Conversion Project Plan**

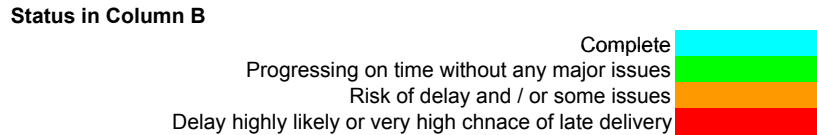


Carries on until December 2010

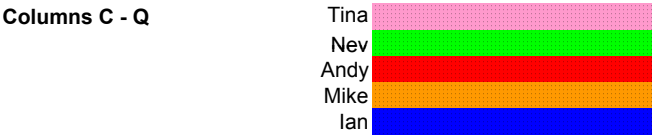
**SCC IFRS Conversion Project Plan**



**Colour Coding**



**Team Member Responsible for Delivery**



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# Agenda Item 6

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	AUDIT COMMISSION: AUDIT AND INSPECTION PLAN PROGRESS REPORT		
<b>DATE OF DECISION:</b>	18 MARCH 2010		
<b>REPORT OF:</b>	CHIEF INTERNAL AUDITOR		
<b>AUTHOR:</b>	Name:	Neil Pitman	Tel: 023 80 834616
	E-mail:	Neil.pitman@southampton.gov.uk	

## STATEMENT OF CONFIDENTIALITY

Not applicable.

## SUMMARY

The 2009-10 Audit and Inspection plans were presented to the Audit Committee on 24 June 2009. The audit and inspection plan is based on the Audit Commission's risk-based approach to audit planning as set out in the Code of Audit Practice and on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) Framework.

An update on progress against the Plan(s), together with reports issued, is attached as appendices to this report.

The Audit Commission work is governed by the 'Code of Audit Practice' which should be read along side the 'Statement of Responsibilities of Auditors and Audit Bodies' copies of which have been made available in the Members room.

## RECOMMENDATIONS:

- (i) To note the Audit Commissions reports as attached.

## REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee's Terms of Reference require it to be satisfied and provide assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the external auditors. Specifically, the Committee has responsibility for oversight of the reports of external audit.

## CONSULTATION

2. The reports, as attached, have been discussed and agreed with the appropriate officers.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None.

## DETAIL

4. The following Audit Commission reports are attached for consideration in the appendix:
  - Certification of Claims and Returns – Annual Report
  - Progress report – March 2010

The external auditor will be in attendance at the Committee meeting to answer any questions.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

5. None.

### **Revenue**

6. None.

### **Property**

7. None.

### **Other**

8. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

9. The duties and powers of auditors appointed by the Audit Commission are set out in the Local Government Act 1999.

### **Other Legal Implications:**

10. None.

## **POLICY FRAMEWORK IMPLICATIONS**

11. None.

## **SUPPORTING DOCUMENTATION**

### **Appendices**

1.	Certification of Claims and Returns – Annual Report
2.	Audit Commission: Progress report – March 2010

### **Documents In Members' Rooms**

1.	Code of Audit Practice 2008
2.	Statement of responsibilities of auditors and of audited bodies

### **Background Documents**

Title of Background Paper(s) None

**Background documents available for inspection at** N/A

**KEY DECISION?** Not applicable.

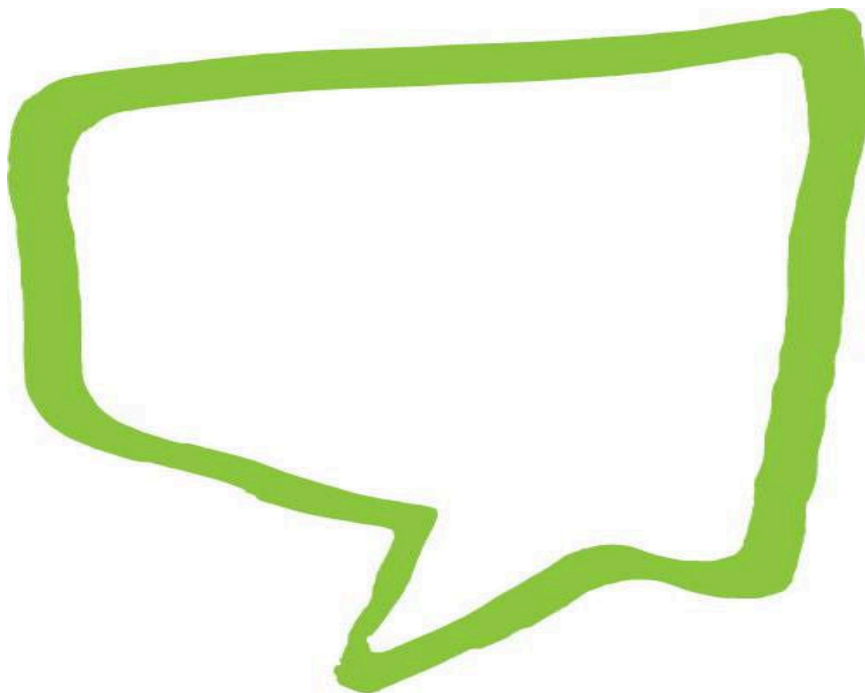
**WARDS/COMMUNITIES AFFECTED:** Not applicable.

# Certification of Claims and Returns - Annual Report

Southampton City Council

Audit 2008/09

February 2010



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# Contents

<b>Key messages</b>	<b>3</b>
<b>Background</b>	<b>4</b>
<b>Findings</b>	<b>5</b>
<b>Appendix 1 – Summary of 2008/09 certified claims</b>	<b>7</b>

---

## **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
-

# Key messages

**Funding from government grant-paying departments is an important income stream for the Council and therefore it needs to manage its process for claiming this income carefully and demonstrate to auditors that it has met the conditions which attach to these grants.**

**This report summarises the findings from the certification of the Council's 2008/09 claims and returns. It includes the messages arising from our assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.**

---

## Certification of claims

- 1 The Council received £103.5 million funding in 2008/09 from various grant-paying government departments which required auditor certification. We were also required to certify four returns made by the Council to departments which did not involve the receipt of funds, including the £87.4 million collected in National Non-Domestic Rates and remitted to the national pool. Departments attach conditions to the grants that are made and the Council must be able to show that it has met these conditions or the funding may be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.
- 2 In 2008/09, we certified five claims and four returns which had a total value of £203.6 million. Of these, three involved limited audit testing and six involved more extensive audit testing. Paragraph 8 explains how we determine the level of testing to perform. We agreed amendments with officers for errors identified in one of the returns and four of the claims that were certified. For two of the claims we issued a qualification letter to the grant-paying department. Appendix 1 summarises the results for each of the returns and claims that were certified.

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## Significant findings

- 3 There are no significant issues arising from our certification of returns and grant claims for 2008/09 that need to be drawn to the Council's attention. We summarise below the main features of our work and what we found.

---

## Certification fees

- 4 The fees we charged for grant and returns certification work in 2008/09 were £86,359.

---

# Background

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- 5 The Council received £103.5 million from grant-paying departments in 2008/09 which required certification by auditors. It also collected and paid to the National Non-Domestic Rates Pool a contribution of £87.4 million. This is a significant amount of income that the Council is accountable for and it is important that this process is properly managed. In particular this means:
  - an adequate control environment over each claim and return; and
  - ensuring that the Council can evidence that it has met the conditions attached to each claim or return.
- 6 We are required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by government departments and other public bodies to the Council. We charge a fee to cover the full cost of certifying these claims. The fee depends on the amount of work required to certify each claim or return.
- 7 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 8 The key features of the current arrangements are as follows.
  - For claims and returns below £100,000 the Commission does not make certification arrangements.
  - For claims and returns between £100,000 and £500,000, auditors undertake limited tests to agree claim form entries to underlying records, but do not undertake any testing of eligibility of expenditure. The Council did not have any claims or returns in this category in 2008/09 requiring our certification.
  - For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return, to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree claim form entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake more extensive testing and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
  - For claims spanning more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly.

This approach impacts on the amount of grant claim work we carry out, placing more emphasis on the high value claims.



# Findings

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### Claims audited

- 9 Details of the 2008/09 grant claims that we certified are given in Appendix 1. The main issues arising from this work are detailed below.
- 

### Control environment

- 10 There were five claims or returns that were above the £500,000 threshold where we judged it inappropriate to place reliance on the associated control environment. This was mainly because of previous problems with those claims or returns, the complexity of the claim or return, or a change of responsible officer since our last review. There are no areas where we have significant concerns about control weaknesses. The claims and returns involved were as follows:
- National non-domestic rates return;
  - Housing Revenue Account subsidy;
  - Sure Start, Early Years and Childcare grant;
  - Teachers' pensions return;
  - New Deal for Communities - statement of grant usage.
- 11 Note that our approach for the Housing Benefit and Council Tax Benefit subsidy claim does not include a risk assessment of the control environment. This is because of the significant value and complexity of the claim at all councils and the requirements of the Department for Works and Pensions.
- 

### Amendments

- 12 We agreed amendments with officers to the National Non-Domestic Rate return and to four of the claims that were certified as set out below:-
- Following a query arising from our testing of empty property relief, officers identified an error in the computer system interrogation report that was used to support the original figures in the National Non-Domestic Rates return in respect of Empty Premises relief. We agreed the required amendment to the return which reduced the amount payable to the national pool by £325,470.
  - The main capital block element of the Sure Start, Early Years and Childcare Grant was reduced by £135,973.
-

- The total of the Management and Administration costs received for periods to 31 March 2008 in respect the New Deal for Communities statement of grant usage was reduced by £86,811. This increased by the same amount the balance of the Management and Administration costs available for the remainder of the programme.
  - The aggregate amounts originally recorded as nil in the Housing Revenue Account subsidy form in respect of premium payable and discount receivable arising from early debt repayment, were amended to £7,789 and £9,383 respectively.
- 13** The Housing Benefit and Council Tax Benefit subsidy claim was also amended, primarily to correct errors made in rent rebate claims which had been suspended around the year-end. This is a complex and demanding claim and it is common across councils for errors to be found as a result of our detailed testing. In our testing this year we found a range of minor errors, largely of a non-recurrent nature and all of small value. The overall net impact of all errors was to increase the claim by £4,004 in a total of £92.8 million. We were therefore able to conclude that there were no significant problems, and this outcome was consistent with a trend over recent years of a reduction in the number and magnitude of errors found in the Council's subsidy claim.

---

### Qualifications

- 14** We issued a qualification letter to the Department of Work and Pensions to accompany the certified Housing Benefit subsidy and Council Tax benefit subsidy claim. The factual content of the letter was agreed with officers. Our qualification letter identified an issue specifically relation to rent rebate claims that had been suspended over the year-end period and also set out extrapolations based upon the results of our testing of the individual claims and the entries within cells 144, 147 and 148.
- 15** We also issued a qualification letter to the Department for Communities and Local Government in respect of the New Deal for Communities statement of grant usage. The qualification related to the issue of advance payments in respect of the redevelopment of 'Eastpoint' including a payment of capital funding totalling £3,680,973. This payment had been made into an 'escrow' bank account held by an independent firm of solicitors in Southampton, in advance of either goods being supplied or services rendered. The Council has received a signed letter form the Renewing Neighbourhoods Division of the Department for Communities and Local Government which confirmed agreement that this payment could be considered as defrayed in 2008/09 and therefore the statement of grant usage was not amended.

# Appendix 1 – Summary of 2008/09 certified claims

## Claims and returns above £500,000

Grant claim or return	Value £	Reliance placed on control environment and carried out only limited testing	Amended	Qualification letter
Housing Benefit subsidy and Council Tax benefit subsidy claim	92,812,888	n/a	Yes	Yes
National Non-Domestic Rates return	87,427,045	No	Yes	No
HRA subsidy claim	-5,584,649	No	Yes	No
HRA subsidy base data return	n/a	Yes	No	No
Pooling of housing capital receipts return	1,613,998	Yes	No	No
Disabled Facilities grant	600,000	Yes	No	No
Sure Start, Early Years and Childcare grant	8,316,710	No	Yes	No
Teachers' pensions return	11,138,914	No	No	No
New Deal for Communities - statement of grant usage	7,362,000	No	Yes	Yes

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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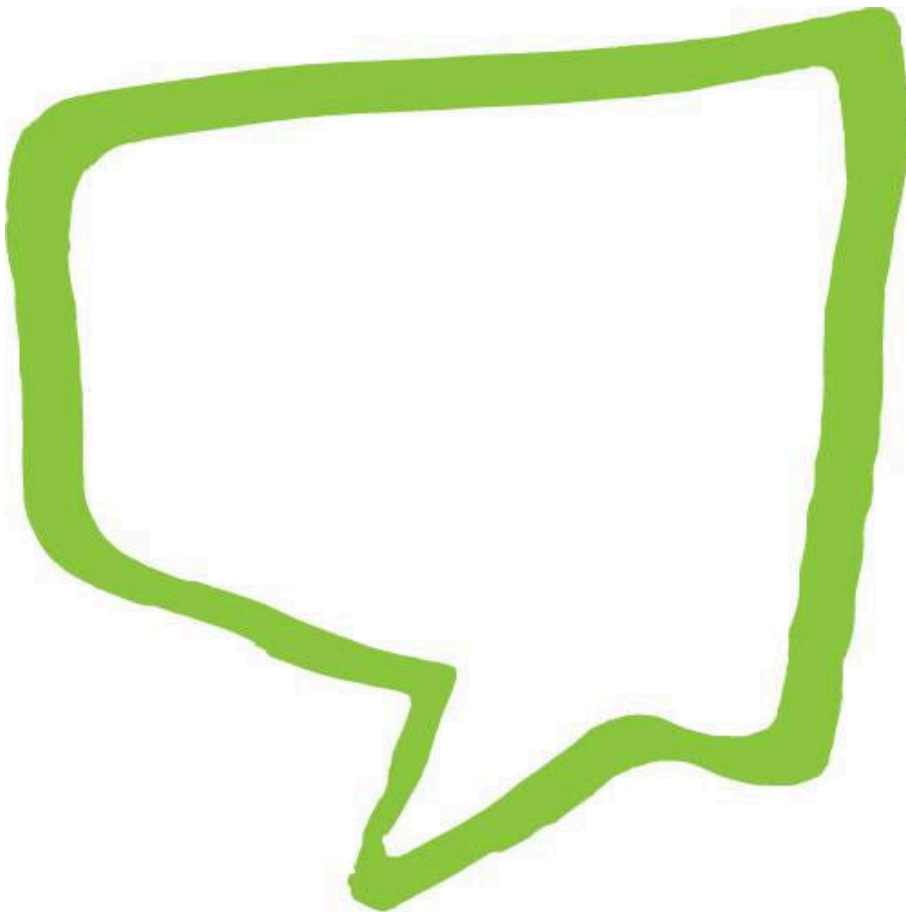
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# Progress --- Report

Southampton City Council

Audit 2009/10 & 2010/11

March 2010



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# Contents

<b>Progress with 2009/10 audit and assessment</b>	<b>3</b>
<b>Progress with 2010/11 audit and assessment</b>	<b>6</b>

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## **Status of our reports**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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  - any third party.
-

# Progress with 2009/10 audit and assessment

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
Audit plan 2009/10	Kate Handy	Audit Committee	March 2009	24 June 2009	The initial fee letter for 2009/10 was agreed with officers in April 2009 and presented to the Audit Committee at its 24 June 2009 meeting. A more detailed opinion plan will be prepared and discussed with officers before we commence our 2009/10 final accounts audit.
Area Assessment Plan	Linda Krywald	Audit Committee	March 2009	24 June 2009	The letter setting out the approach and fee for the Organisational Assessment (OA) and Area Assessment (AA) was agreed with officers in April 2009 and reported to the Audit Committee at its meeting on 24 June 2009. The OA and AA reports were published in December 2009 and a briefing session for members took place on 20 January 2010.

**Progress with 2009/10 audit and assessment**

<b>Report</b>	<b>AC key contact</b>	<b>Authority contact</b>	<b>Expected report</b>	<b>Reported to Audit Committee</b>	<b>Comment</b>
<b>Financial statements</b>					
Interim audit memorandum (if appropriate)	Mike Bowers	Carolyn Williamson	June 2010		
Annual Governance Report (ISA260)	Kate Handy	Standards and Governance Committee	September 2010		
Accounts opinion	Kate Handy	Standards and Governance Committee	September 2010		
Final Accounts memorandum (if appropriate)	Mike Bowers	Carolyn Williamson	October 2010		
<b>Use of Resources</b>					
Use of Resources	Kate Handy	Brad Roynon	September 2010		We are in the process of completing the use of resources assessment. The Council has provided detailed evidence to support this work.
Building Schools for the Future - overview (if necessary)	Jane Burns	Clive Webster	N/A		There are no issues that we need to bring to the Audit Committee's attention at this time.
Highways maintenance	Tim Thomas Gordon Westley	Nick Johnson	Updates as necessary	25 January 2010	The report was presented at the January 2010 meeting of the Audit Committee.



## Progress with 2009/10 audit and assessment

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
<b>Use of Resources (continued)</b>					
Data Quality Spot checks (if necessary)	Mike Bowers	Joy Wilmot-Palmer	N/A		Work to be done in April 2010, separate report only if necessary when results are known.
<b>Certification of grant claims and returns</b>					
Annual report	Mike Bowers	Carolyn Williamson	March 2010	18 March 2010	The report is on the agenda for this meeting of the Audit Committee.
<b>Inspection</b>					
Short Notice Inspection (Pilot) –Local authority strategic housing services	Julie Watts	Nick Murphy	June 2009	25 January 2010	The report was presented at the January 2010 Audit Committee.

# Progress with 2010/11 audit and assessment

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
Audit plan 2010/11	Kate Handy	Audit Committee	June 2010		
Comprehensive Area Assessment Plan	Linda Krywald	Audit Committee	June 2010		

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# Agenda Item 7

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	Annual Governance Statement 2009-10		
<b>DATE OF DECISION:</b>	18 MARCH 2010		
<b>REPORT OF:</b>	EXECUTIVE DIRECTOR OF RESOURCES		
<b>AUTHOR:</b>	Name:	Peter Rogers	Tel: 023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk	

## STATEMENT OF CONFIDENTIALITY

Not applicable.

## SUMMARY

The Annual Governance Statement ("AGS") is a key corporate document and should provide an accurate representation of the corporate governance arrangements in place during the year and highlight those areas where significant gaps or improvements are required. The production of an AGS is a mandatory requirement under the Accounts and Audit Regulations as updated in 2006.

An 'assurance gathering process' created to support the AGS has been developed in line with the Chartered Institute of Public Finance and Accountancy ("CIPFA") guidance to support development of the AGS for 2009/10.

## RECOMMENDATIONS:

- (i) To approve the assurance gathering process to support the development of a robust Annual Governance Statement (Appendix 1).
- (ii) To note the Audit Committee's role in respect of the Annual Governance Statement.

## REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee has responsibility to provide independent assurance to the Standards and Governance Committee 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 and reviewing the draft AGS, and where necessary challenging the sources of assurance, prior to the draft document being reported to Standards and Governance Committee for approval.
3. The Audit Committee therefore needs to be aware of the nature and scope of the assurance gathering process that will be undertaken to support the development and production of a robust AGS.

## **CONSULTATION**

4. The 'assurance gathering process' for 2009-10 follows the arrangements used to develop the 2008-09 AGS noting that the Audit Commission has not raised any issues or concerns in relation to the process adopted.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

5. No alternative options have been considered.

## **DETAIL**

6. Regulation 4 (2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 requires local authorities to 'conduct a review at least once a year of the effectiveness of its system of internal control' and 'to prepare a statement on internal control' in accordance with proper practices.
7. The purpose of the AGS, which is published with the accounts, is to provide an accurate representation of the corporate governance arrangements in place during the year and to identify or highlight those areas where there are significant gaps or where improvements are required.
8. CIPFA/SOLACE has defined governance as "how local government bodies ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities".
9. The review of the effectiveness of the organisation's overall corporate governance arrangements requires the sources of assurance which the council relies on, to be brought together and reviewed with any significant gaps in assurance or areas for improvement being recorded and disclosed within the AGS.
10. The 'assurance gathering process' developed to support the 2008-09 AGS has been further refined to support the development of a robust AGS for 2009-10. No significant changes to the process were deemed necessary on the basis that it is considered that the current process is robust and noting the Audit Commission's observations that the council's has developed a "good quality Annual Governance Statement".
11. Overall assurance on the adequacy and effectiveness of the governance framework is sought from the following sources: Internal Audit, External Audit, Risk Management, Legal and Regulatory Assurance, Assurances provided by Executive Directors, Performance Management and external inspection or review and reports. The foregoing sources of assurance are underpinned by a range of corporate policies and procedures.
12. To support the process an 'Assurance Framework' document (which identifies and brings together the various elements of the overall 'assurance framework') will be completed together with 'Self Assessment Questionnaires' which are issued to Executive Directors for completion and return.

13. The 'Self Assessment Questionnaires' include an 'Assurance Map' template which is also required to be reviewed and updated. This document seeks to obtain information from each directorate all sources of assurance (internal and external) that are received.
14. The completed Assurance maps will be used to inform the AGS and, in addition, will serve to ensure that the Audit Committees role in terms of 'considering the reports of internal and external audit and other review and inspection bodies' and 'to provide assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies' is fulfilled.
15. The Controls Assurance Management Group (comprising the Section 151 Officer, Chair of the Audit Committee, Monitoring Officer, Chief Internal Auditor, and the Assistant Chief Executive - Strategy) has responsibility for evaluating assurances and supporting evidence, assessing whether there is consistency with existing policies and the authority's governance framework and for drafting the AGS.
16. The draft AGS is presented to the Audit Committee for review and approval prior to being submitted to the Standards and Governance Committee for final approval. The AGS is then forwarded to the Chief Executive and Leader of the Council for signing.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

17. None.

### **Revenue**

18. None.

### **Property**

19. No specific property implications have been identified in this report.

### **Other**

20. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

21. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

### **Other Legal Implications:**

22. None.

## **POLICY FRAMEWORK IMPLICATIONS**

23. None.

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Annual Governance Statement 2009-10: Process and Timelines
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**Documents In Members' Rooms**

1.	None
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**Background Documents**

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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**Background documents available for inspection at:**

Internal Audit Office, North Block  
Basement, Civic Centre

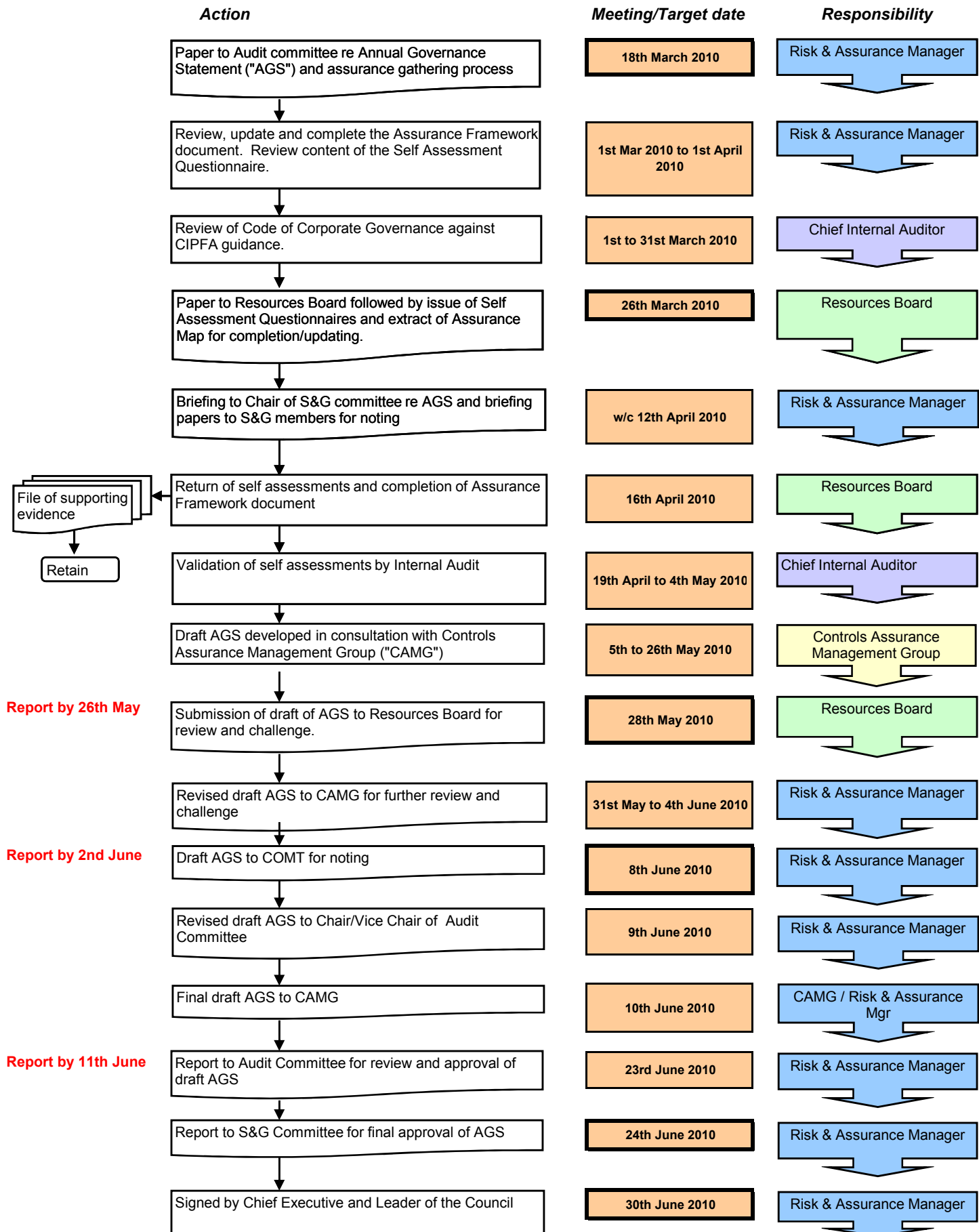
**KEY DECISION?** Not applicable.

**WARDS/COMMUNITIES AFFECTED:**

Not applicable.



# Annual Governance Statement 2009/10 - Process and timelines



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# Agenda Item 8

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	INTERNAL AUDIT: STATUS OF WORK FEBRUARY 2010		
<b>DATE OF DECISION:</b>	18 MARCH 2010		
<b>REPORT OF:</b>	CHIEF INTERNAL AUDITOR		
<b>AUTHOR:</b>	Name:	Neil Pitman	Tel: 023 80 834616
	E-mail:	Neil.pitman@southampton.gov.uk	

## STATEMENT OF CONFIDENTIALITY

None

## SUMMARY

Under the Accounts and Audit (Amendment) (England) Regulations 2006, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- maintaining an adequate and effective system of Internal Audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices.

In accordance with proper internal audit practices and the Internal Audit Strategy, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

- progress in implementing the audit plan;
- internal audit reviews in progress;
- audit opinion on all internal audit reviews completed since the last report and executive summaries of published reports where critical weaknesses or unacceptable levels of risk were identified;
- the status of 'live' reports, i.e. those where internal audit work is completed and actions are planned to improve the framework of governance, risk management and management control; and
- internal audit reviews closed since the last report.

The appendix summarises the activities of internal audit for the period ending 22<sup>nd</sup> February 2010.

## RECOMMENDATIONS:

- (i) That the Audit Committee notes the Internal Audit Status of Work report for the period ending 22<sup>nd</sup> February 2010 as attached.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. In accordance with proper internal audit practices and the Internal Audit Strategy, the Audit Committee is required to receive the Chief Internal Auditor's status report.

## **CONSULTATION**

2. The Status of Work report for the period ending 22<sup>nd</sup> February 2010 has been received by the Chief Officers' Management Team.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

3. None

## **DETAIL**

4. The status report for the period ending 22<sup>nd</sup> February 2010 is attached for consideration in the appendix.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

5. None.

### **Revenue**

6. None.

### **Property**

7. None.

### **Other**

8. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

9. The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

### **Other Legal Implications: None**

10. None.

## **POLICY FRAMEWORK IMPLICATIONS**

11. None.

## SUPPORTING DOCUMENTATION

### Appendices

1.	Internal Audit: Status of Work Report period ending 22 <sup>nd</sup> February 2010
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### Documents In Members' Rooms

1.	None.
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### Background Documents

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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**Background documents available for inspection at:** Internal Audit Office, North Block Basement, Civic Centre

**KEY DECISION?** Not applicable.

**WARDS/COMMUNITIES AFFECTED:** Not applicable.

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SUBJECT:	<b>Internal Audit: Status of Work</b>
MEETING:	<b>Audit Committee</b>
DATE OF MEETING:	<b>18 March 2010</b>
REPORT OF:	<b>Chief Internal Auditor</b>
REPORT DATE:	<b>22 February 2010</b>

**1 Internal audit report opinion definitions:**

<b>Opinion</b>	<b>Framework of governance, risk management and management control</b>
Substantial assurance <b>[G]</b>	A sound framework in place that is operating effectively. Some immaterial evidence of inconsistent application.
Adequate Assurance <b>[A1]</b>	Basically a sound framework in place but with repeated evidence of inconsistent application.
Limited assurance <b>[A2]</b>	Critical weakness(es) identified within the framework or significant evidence of inconsistent application.
No assurance <b>[R]</b>	Fundamental weaknesses have been identified or the framework is ineffective or absent.
Closed <b>[X]</b>	Management has confirmed that all identified framework weaknesses have been appropriately addressed.

## 2 Status of 'live' reports:

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding (of which are 'high' priority)
				Aug 2008	Nov 2008	Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010		
Fleet Transport	08/04/08	Executive Director of Environment	Environment	G	G	G	G	G	G	G	11 (0)	2 (0)
Licensing	16/04/08	Chief Executive	Legal and Democratic Services	G	G	G	G	G	G	G	13 (3)	1(0)
Parking: Off and On Street	16/04/08	Executive Director of Environment	Environment	G	G	G	G	G	G	X	15 (4)	0
Internet and Email	16/05/08	Executive Director of Resources	Resources	A	A	A	A	A	G	X	10 (3)	0
Network Management	10/06/08	Executive Director of Resources	Resources	A	G	G	G	G	G	G	19 (0)	1 (0)
Across Schools Thematic Reviews – Security	16/06/08	Executive Director Children's Services and Learning	Children's Services and Learning	A	A	A	G	G	G	G	8 (4)	1 (0)
Affordable Housing	14/08/08	Executive Director of Neighbourhoods	Neighbourhoods	A	G	G	G	G	G	G	12 (4)	1 (0)
Workforce planning	04/09/08	Executive Director of Resources	Resources	G	G	G	G	G	G	X	8 (0)	0



Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding  (of which are 'high' priority)
				Aug 2008	Nov 2008	Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010		
Town Depot Stores	05/09/08	Executive Director of Neighbourhoods	Neighbourhoods		A	A	G	G	G	G	11 (3)	2 (0)
Itchen Bridge	16/09/08	Executive Director of Resources and Executive Director of Environment	Resources / Environment		A	G	G	G	G	G	4 (0)	1 (0)
Capital Programme and Major Projects	01/12/08	Executive Director of Resources	Cross-cutting		A	A	A	A	A2	A1	7(0)	7(0)
VAT	19/12/08	Executive Director of Resources	Resources			G	G	G	G	X	4(0)	0
Procurement	15/12/08	Executive Director of Resources	Resources			A	G	G	G	X	21(8)	0
Section 106 Agreements	26/01/09	Executive Director of Environment.	Environment			R	R	A	A2	X	7(6)	0
Public Transport	04/02/09	Executive Director of Environment. Executive Director of Resources	Environment			A	G	G	G	G	5(2)	1(0)
Mental Health and Substance Misuse	23/03/09	Executive Director Communities Health and Care	Communities Health and Care				A	A	A2	G	6 (3)	1 (0)

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Aug 2008	Nov 2008	Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010		
Woodmill	26/03/09	Executive Director of Neighbourhoods and Executive Director of Resources	Neighbourhoods and Resources				R	A	G	G	9 (8)	1 (0)
Corporate Governance	07/04/09	Solicitor to the Council	Chief Executive				G	G	G	X	2 (0)	0
Computer Installations & Operating Systems	14/05/09	Executive Director of Resources	Resources					A	A2	A2	20 (6)	11 (5)
IS Security Management	14/05/09	Executive Director of Resources	Resources					A	G	G	13 (3)	4 (0)
Council Tax	14/05/09	Executive Director of Resources	Resources					G	G	X	6 (0)	0
Payroll	19/05/09	Executive Director of Resources	Resources					G	G	X	1 (0)	0
Registration Services	16/06/09	Executive Director of Environment	Environment					G	G	G	6 (0)	6 (0)
Development Control	19/06/09	Executive Director of Environment	Environment					G	G	G	1 (1)	1 (1)
Sports and Recreation Venues	23/06/09	Executive Director of Neighbourhoods	Neighbourhoods					A	G	G	10 (7)	1 (1)

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Aug 2008	Nov 2008	Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010		
Leisure Venues Alternative Management Transformation Project	26/06/09	Executive Director of Neighbourhoods	Neighbourhoods					G	G	X	5 (2)	0
Debtors	30/06/09	Executive Director of Resources	Resources					G	G	G	5 (1)	1 (0)
Direct Payments – follow up	30/06/09	Executive Director of Health and Community Care	Health and Communities Care					G	G	G	1 (0)	1 (0)
Expense Management	30/06/09	Executive Director of Resources	Resources					A	G	X	13 (10)	0
Open Spaces and Street Cleansing	01/07/09	Executive Director of Neighbourhoods	Neighbourhoods					A	G	G	9 (2)	2 (1)
School PFI Contract Management	03/07/09	Executive Director, Children Services and Learning	Children Services and Learning					A	A <sub>1</sub>	A <sub>1</sub>	8 (1)	6 (1)
Contract Management	07/07/09	Executive Director of Resources	Resources					A	G	G	9 (1)	1 (0)
Emergency Home Closures	28/07/09	Executive Director of Health and Community Care	Communities Health and Care					A	G	G	5 (1)	1 (0)

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Aug 2008	Nov 2008	Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010		
Transport Services Income Investigation	14/09/09	Executive Director of Resources	Resources						R	G	22 (22)	1 (1)
School Catering Services	17/09/09	Executive Director of Children Services and Learning	Children Services and Learning						G	G	5 (1)	1 (0)
Affordable Housing	13/11/09	Executive Director of Neighbourhoods	Neighbourhoods						G	X	3 (1)	0
NDR	08/12/09	Executive Director of Resources	Resources						G	G	4 (0)	1 (1)
CCTV Services	05/01/10	Executive Director of Neighbourhoods	Neighbourhoods						G	G	11 (2)	5 (0)
Workforce Strategy	07/01/10	Executive Director of Resources	Resources						G	X	5 (1)	0
Compliance with Health & Safety Legislation	07/01/10	Executive Director of Resources	Resources						A1	X	12 (4)	0
Woodlands Community College	18/01/10	Executive Director or Children, Services and Learning	Children Services and Learning						R	G	25 (25)	7 (7)
Procurement Follow Up	08/02/10	Executive Director of Resources	Resources							G	3 (2)	3 (2)

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Aug 2008	Nov 2008	Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010		
Accommodation Strategy and Flexible Working	08/02/10	Executive Director of Resources	Resources							<b>G</b>	6 (1)	6 (1)
Integrated Transport and the Local Transport Strategy 2009/10	08/02/10	Executive Director of Environment	Environment							<b>A2</b>	19 (0)	19 (0)

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

**Audit title: Integrated Transport and the Local Transport Strategy (08/02/10)**

**Original published audit opinion:** Limited Assurance [A2]

**Current audit opinion:** Limited Assurance [A2]

**Executive summary:**

The Council was found to be achieving the required KPI's and PI's set by the Department of Transport.

Projects in place were linked with the Local Transport Plan's (LTP) overall objectives, however there was no process in place to assess the long term impact of such projects on the current LTP's objectives. Additionally there was no consistent process within the integrated transport programme for identifying the priority of a project, its benefits or feasibility.

There was good communication between the project teams of the relevant services (Highways, Network Management and Planning), but it varied in its formality; actions and decisions were often not formally recorded. There was no single source document available to all relevant services of both current and proposed projects in order to facilitate effective coordination.

Projects were not managed according to the Councils guidelines on project management. Project files reviewed found that key documents were omitted and commonly there were no risk or issue logs maintained. The reporting methodology used by project managers that fed into the highlight report used for reporting to the Highways Board and the Capital Monitoring Board report was not formalised. There was no single document available for project managers to use to feed into the highlight report that substantiated the traffic light risk assessment. Risks reported to the Highways and Capital Monitoring Board were based on opinion rather than a consistent and standard calculation of risk. There was no mechanism to monitor risks, determine the extent of the risk and allocate actions and ownership.

CAPEX, was used for monthly financial monitoring, however as a tool for project managers to monitor their budgets it is ineffective, containing incomplete and misleading information.

**Management actions and update since last report:**

An appropriate action plan has been produced

**4 Update on previously published reports where critical weaknesses or unacceptable levels of risk identified:**

**Audit title: Capital Programme and Major Projects (01/12/08)**

**Original published audit opinion:** Limited Assurance [**A2**]

**Current audit opinion:** Adequate Assurance [**A1**]

**Executive summary:**

Since 2007, the Council has introduced a new approach and framework for programme and project management and a significant investment has been made in providing project management training for key officers.

Capital/ Major Project Boards had been set up within each Directorate (except Resources) and met regularly. Although each had a Terms of Reference there was no specified minimum requirement for their operation, meaning that there were inconsistencies in their operation and reporting frameworks. Due to the significant differences between the nature of Directorate/ Portfolio capital programmes and projects there needed to be some flexibility in the operation of the Boards, but corporate minimum requirements for all Directorates need to be specified to ensure the effectiveness of this key part of the governance framework?

There was a lack of prioritisation of resources dedicated to the programme/project monitoring processes which resulted in time being spent at Directorate Boards discussing matters of detail that could have been more appropriately covered outside of these meetings, had the officers involved had the time and opportunity available to do so. This in turn prevented the Board meetings from covering programme governance matters robustly and sufficiently or occasionally at all. In addition, some Board meetings had been presented with inadequate or no financial information due to conflicting demands on the time of Finance staff.

Six-monthly financial reports on the overall capital programme were presented to Chief Officers' Management Team, Cabinet and Council, but these did not include details of the progress/ delivery of the programme and individual schemes/ projects. There was no corporate coordination function for the Council, providing oversight, scrutiny and challenge across the Council's capital programme and major projects, therefore no means of ensuring that Directorate Boards were operating effectively and that the Directorate/Portfolio programmes and projects were being properly managed and delivered.

**Management actions and update since last report:**

The development of PM Connect is in its final stages with implementation to commence in August and be fully operational from April 2010.

The Executive Director of Resources has commissioned a fundamental review of project management which will address all management actions in response to audit observations. PM Connect is implemented in the Neighbourhoods Directorate who have 'early develop' status which also includes significant changes to monthly capital financial monitoring and the way this is reported corporately and through capital boards. This allows any lessons to be addressed prior to full roll out. The system will be fully operational from April 2010. A training programme has been developed alongside to ensure that staff and managers are trained regarding following the new Project Management governance, including specific training for Project Board members as well as Project Managers.

**High priority actions overdue:**

None

**Audit title: Computer Installations & Operating Systems (14/05/09)**

**Original published audit opinion:** Limited Assurance [A]

**Current audit opinion:** Limited Assurance [A2]

**Executive summary:** InfraEnterprise is used by Capita for managing the change control process. This includes updating both Microsoft Windows and UNIX operating systems with appropriate patches and applying firmware updates.

Microsoft's Baseline Security Analyser was run against the network's domain controllers and identified missing security updates. PatchDiag was run against the operating systems for a number of the main applications and missing UNIX security patches were identified.

Documented procedures for patching Windows needed to be finalised. Procedures for patching UNIX and firmware updates needed to be developed.

The Council uses Microsoft Windows 2003 Active Directory to control its network and a number of the main applications including Social Care, Housing and Revenues and Benefits run on Sun Solaris. The Microsoft Windows Active Directory domain security policy was satisfactory, but the UNIX operating system retained default security settings.



**Management actions and update:**

None

**High priority actions overdue:**

Confirmation must be sought from the suppliers of the PARIS and Revenues and Benefits systems that the operating systems have been hardened to comply with the UNIX Policy that will be developed jointly. (Sep 09)

Capita must install regular security patches to all UNIX servers to comply with the UNIX Policy that will be developed jointly. (Sep 09)

Capita need to force a password change for the UNIX operating system to comply with the UNIX Policy that will be developed jointly. (Sep 09)

The name check and history functions need to be enabled to comply with the UNIX Policy that will be developed jointly. (Sep 09)

Immediately disable all UNIX accounts for Capita staff who have left to comply with the UNIX Policy that will be developed jointly. (Sep 09)

**Audit title: Schools PFI Contract Management (03/07/09)**

**Original published audit opinion:** Limited Assurance [A2]

**Current audit opinion:** Adequate Assurance [A1]

**Executive summary:**

A governance framework was in place that met the requirements of the 'Concession Agreement', however 'terms of reference' were not evident for all the committees in place or had been reviewed recently. As such assurance could not be provided that each committee was fully aware and fulfilling its substantive role.

The Council did not maintain an Operational Contract Manual for the management of school PFI, consequently good practice may not be consistently followed during the life of the contract as the Council's contract management team changes.

No formal training on managing PFI contracts had been provided to Council staff, therefore a significant amount of trust and reliance is placed on the service provider in the provision of technical expertise.

The monthly KPI review meetings between the Authority, school and the contractor showed that performance of the contractors is discussed but there was no evidence from agendas or minutes to suggest that the "assessment of performance of the contractors management of the agreement" reports were reviewed within these meeting as detailed within "Schedule 4 - Performance Measurement System to Concession Agreement". Therefore, enforcement of the Concession Agreement may be more difficult in relation to other aspects if the contractor is not complying fully.

Interserve Pyramid Schools (Southampton), led on the most recent benchmarking exercise and collecting data for the Council for comparative purposes. The benchmarking process commenced 6 months prior to contract renewal as opposed to 9 to 24 months in line with good practice.

The results of an independent review of the benchmarking process conducted by Procurement have never been provided to the Infrastructure & Capital Projects Team, thus failing to comply with best practice guidance on "Benchmarking and Market Testing" in relation to capturing the lesson learnt.

**Management actions and update:**

None

**High priority actions overdue:**

Further schools will be re-built under PFI as part of BSF Wave 6a. The Assets and Capital Strategy Manager will discuss with the Head of Infrastructure and Capital and BSF Project Director arrangements for bringing management of existing and new PFI contracts under the Building Schools for the Future Team (Sep 09)

N.B. To be implemented (Apr 10)

**Audit title: Woodlands Community College (18/01/10)**

**Original published audit opinion:** No assurance

**Current audit opinion:** No assurance

**Executive summary:**

Review identified a significant failure to discharge financial responsibilities in line with the Council's financial procedure rules, School Financial Procedures and FMSiS standards and a lack of robust controls in place with regard to the purchasing system, income received, expenditure, petty cash/imprest accounts and asset management.

The absence of controls in relation to the reconciliation of income received to that banked, security of cash held on the premises overnight and secure documentation provided no assurance that all monies received had been banked intact.

The college did not maintain its own local financial procedures, and there was no process in place to enable staff with financial responsibilities to operate financial systems in a consistent manner, in accordance with the Council's financial procedure rules.

There was a lack of transparency as to how financial decisions were made. The Full Governing Body minutes did not record sufficient detail of discussions arising from the budgetary information presented to demonstrate that there has been a clear and full understanding and that governors had an opportunity to respond.

**Management actions and update since last report:**

Significant progress has been made against the audit action plan. Of the 25 high priority actions 18 have been completed. The remaining seven require documentation to be approved at the next meeting of the Full Governing Body (10 March 2010)

**High priority actions overdue:**

None

## 5 Internal Audit Performance

Internal Audit has been assessed as fully compliant with the CIPFA Code of Practice by the Audit Commission in their triennial review of the service in 2009

## 6 Planning and Resourcing

Sarah Dennis was appointed Head of Efficiency and IT on 01 February 2010. Neil Pitman has been appointed as the Head of Internal, Risk and Assurance as Sarah's replacement. Work is ongoing to fill the Internal Audit Manager post.

## 7 Rolling work programme

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
<b><u>2009/10 Audit Plan</u></b>					
Annual governance statement	✓	✓	✓	✓	10/05/09
Hampshire Camera Partnership	✓	✓	✓	✓	07/06/09
Youth Services	✓	✓	✓	✓	28/07/09
Supporting People	✓	✓	✓	✓	05/08/09
Solent Sea Rescue	✓	✓	✓	✓	24/08/09

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
School Catering Services	✓	✓	✓	✓	17/09/09
School Grant funding	✓	✓	✓	✓	29/09/09
Building Control	✓	✓	✓	✓	12/10/09
Treasury Management	✓	✓	✓	✓	12/11/09
Affordable Housing Development	✓	✓	✓	✓	13/11/09
Transport Services Income Investigation	n/a	✓	✓	✓	14/11/09
Council tax	✓	✓	✓	✓	17/11/09
Debtors	✓	✓	✓	✓	20/11/09
Housing and Council Tax Benefit administration – 09/10	✓	✓	✓	✓	01/12/09
NNDR	✓	✓	✓	✓	08/12/09
CCTV	✓	✓	✓	✓	04/01/10
Compliance with Health and Safety Legislation	✓	✓	✓	✓	07/01/10

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Workforce Strategy	✓	✓	✓	✓	07/01/10
Woodlands Community School	✓	✓	✓	✓	31/01/10
Integrated Transport and the Local Transport Strategy	✓	✓	✓	✓	08/02/10
Accommodation Strategy and Flexible Working	✓	✓	✓	✓	08/02/10
Procurement	✓	✓	✓	✓	08/02/10
Land and property management	✓	✓	✓	✓	22/02/10
Highways Network Management	✓	✓	✓	✓	12/03/10
Highways Resources Management	✓	✓	✓	✓	12/03/10
Creditors	✓	✓	✓	✓	20/03/10
Housing rent collection and debt management	✓	✓	✓	✓	20/03/10
Payroll	✓	✓	✓	✓	12/03/10
Decent Homes and Estates	✓	✓	✓	✓	20/03/10

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Cash Collection and banking	✓	✓	✓	✓	12/03/10
Adult and Learning Disability	✓	✓	✓	✓	20/03/10
Network Management	✓	✓	✓	✓	20/03/10
Corporate Business Continuity Planning	✓	✓	✓	✓	20/03/10
Application Software Management	✓	✓	✓	✓	20/03/10
Corporate Governance Framework	✓	✓	✓		
Data Management – Children Services	✓	✓			
Strategic Service Partnership	✓	✓			
European Funding	✓	✓			
Risk Management	✓	✓			
Commissioning Plan for Health and Wellbeing	✓	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Local and Multi Area Agreement	✓	✓			
Financial Management	✓	✓			
Main Accounting System	✓	✓			
IT Solutions Development	✓				
Financial Management Standards in Schools	21 of 28 complete				



**8 Status of 'Live' External Audit**

Audit title	Report date	Audit Sponsor	Directorate	Original actions	Actions outstanding
				(of which are 'high' priority)	
Opinion Interim Report	June 08	Executive Director of Resources	Resources	5 (2)	2 (1)
Final Accounts memo	Dec 08	Executive Director of Resources	Resources	5 (1)	1 (0)
Use of Resources	March 09	Executive Director of Resources	Resources	7 (4)	2 (1)
Data quality	March 09	Cross Directorate	Cross Directorate	6 (2)	2 (0)

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
<b>Opinion Interim Report (Jun 08)</b>							
Social Services Income							
6	Identify the cause of the failure of the social care billing, and implement changes to the system to ensure that this does not continue into future years.	3	Carolyn Williamson	Agreed	Significant resources are still being employed to manage the current billing situation. A major project to develop a new charging policy and billing system to be introduced for 2009/10 is now underway.	Apr-09	New charging policy has been introduced from April 2009, work is continuing on implementing an upgrade of Paris so that the system side of billing can be improved. This is expected to happen in the autumn 2010.
IT Risk Assessment							
7	Implement changes identified from our risk assessment of IT systems.  <ul style="list-style-type: none"> <li>Ensure that IT policies and standards are up to date and revised on a regular and timely basis.</li> </ul>	2	Kevin Foley	Agreed	Need a list of the major risk areas so that this can be completed.  Will investigate and put appropriate controls in place.	Phased Programme End July	IT Policies are currently being reviewed and updated by the IT Client Team
<b>Final Account Memo (Dec 08)</b>							
Registration of assets with the Land Registry							
-	The registration of ownership of Land & Buildings with the Land Registry	2	John Spiers	Yes	This work is undertaken by Legal Services who have taken on a	Ongoing	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
	should be continued until completed.				temporary contract solicitor to undertake the work. The contract will continue as there is still a lot of work to do. The resources portfolio work is now well underway.		
<b>Use of Resources (Mar 09)</b>							
Internal Control							
-	Ensure that the revised non-residential social care billing policy and the replacement income billing module are implemented.	3	Carolyn Williamson	Yes	The new policy and charging module are in the process of being delivered per the specific action plan resulting from the PWC review.	Dec-09	New charging policy has been introduced from April 2009, work is continuing on implementing an upgrade of Paris so that the system side of billing can be improved. This is expected to happen in the autumn 2010.
-	Evaluate partnerships' contribution to improving VFM as part of implementing the Council's partnership protocol.	2	Joy Wilmot-Palmer	Yes	Process to be developed by the end of 2009/10 following the agreement and implementation of the new protocol.	Mar-10	
<b>Data Quality (Mar 09)</b>							
Management arrangements							

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
7	Agree appropriate data sharing arrangements with the Council's LAA partners.	2	Joy Wilmot-Palmer	Yes	Data Sharing arrangements are already in place to facilitate the operation of key partnerships that underpin the delivery of the LAA. Following on from the approval of the partnership protocol these arrangements will be reviewed for both existing and new partnerships to determine if they would be more appropriately applied at an individual partner rather than at a partnership level having due regard to all legal obligations as well as other information management requirements.	Mar-10	
7	Consistently apply existing quality checking of externally reported data more effectively, supported by refresher training for staff.	2	Joy Wilmot-Palmer	Yes	The sign off arrangements for externally reported data, including HIP forms, will be reviewed. Updated guidance will be issued and the respective roles of Heads of Service and Policy Co-ordinators within the quality assurance process will be reinforced.	Mar-10	

# Agenda Item 9

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE		
<b>SUBJECT:</b>	INTERNAL AUDIT: STRATEGIC PLAN 2010/11 TO 2012/2013		
<b>DATE OF DECISION:</b>	18 MARCH 2010		
<b>REPORT OF:</b>	CHIEF INTERNAL AUDITOR		
<b>AUTHOR:</b>	Name:	Neil Pitman	Tel: 023 80 834616
	E-mail:	neil.pitman@southampton.gov.uk	

## STATEMENT OF CONFIDENTIALITY

None.

## SUMMARY

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The *Strategic internal audit plan* provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

A more detailed *Annual operational plan* is derived from the Strategic plan using a cycle-based risk approach, whereby audits are selected based on the greatest perceived inherent risk. Whilst most effort is focused on inherently high risk areas, the potential for problems to materialise within the rest of the audit universe is not ignored.

Other reviews, based on criteria other than risk, may also be built into the work plan. These may include "mandatory" audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate contribution to the audit opinion on risk management, control and governance.

## RECOMMENDATIONS:

- (i) The Audit Committee is invited to comment on and approve the Strategic Internal Audit Plan for 2010/11 to 2012/13 as attached.

## REASONS FOR REPORT RECOMMENDATIONS

1. In accordance with proper internal audit practices and the Internal Audit Strategy, the Audit Committee is required to approve, but not direct, the Strategic Internal Audit Plan.

## CONSULTATION

2. Consultation has taken place with members of the Chief Officers Management Team in development of the strategic internal audit plan.

## ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None.

## DETAIL

4. The plan has been designed in line with the *Internal audit strategy* and reflects recognised good practice to ensure due consideration is given to the following core principles of good governance to support the Annual Governance Statement:
  - focus on the Council's defined purpose and outcomes;
  - effective performance in clearly defined functions and roles;
  - promoting values that underpin good governance;
  - taking informed and transparent decisions within a framework of controls and managing risk;
  - development of the capacity and capability of members and officers to be effective; and
  - engaging stakeholders to ensure robust public accountability.
5. The work plan is aligned with the Council's business planning framework to ensure it contains the main business processes, projects, assets, performance and compliance issues significant to the Council's strategic direction, risk environment and business goals.
6. Auditable units have been selected and prioritised on a rational and objective basis, following a systematic appraisal, in consultation with management, of the following predictive factors:

Size:

  - value of income / expenditure;
  - employees involved in the activity; and
  - volume of transactions

Control:

  - impact of management and staff;
  - third party sensitivity;
  - standard of internal control; and
  - likelihood of occurrence of fraud.

Detection:

  - duration since last review; and
  - effectiveness of other assurance providers
7. Consideration has been given to the assurance work carried out by others, such as those responsible for the governance of the Council, the external auditors and other review bodies, to avoid duplication and maximise use of available assurance resources.

8. The Annual operational plan 2010/11 will be resourced through a staffing complement of 7.5 FTE supplemented with an element of “bought in” resources from an external partner provider, delivering a total of 1420 direct audit days.
9. The audit plan is indicative; it will be subject to ongoing review and amendment, in consultation with the relevant Executive Directors and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Internal audit team’s continued contact and liaison with those responsible for the governance of the Council (i.e. COMT, Audit Committee, Policy Coordinators and the Audit Commission).
10. The type of “review” undertaken will be determined in consultation with the relevant Audit Sponsor. The range of review type includes:
  - Risk based audit: review of design and operation of controls in place to mitigate key risks to the achievement of defined objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
  - Developing systems audit: review of plans and designs of systems under development; and/or assessment of programme/project management controls.
  - Compliance audit: a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations.
  - Quality assurance review: review of approach and competency of other reviewers/assurance providers to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
  - Consultancy or advisory services: provision of advice, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any consultancy or advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.
  - Fraud and irregularity investigations: provision of specialist skills and knowledge to assist in or lead an investigation as appropriate; and/or review of fraud prevention controls and detection processes.
11. Executive Directors and/or their nominated Heads of Service will be involved in the scoping of the reviews to ensure they are appropriately focused on the key risks to delivery of agreed objectives. The detailed planning stage for each review may result in reviews being combined, extended or replaced. A “Terms of reference” will be produced prior to the commencement of each review to ensure the scope and objectives of the review are understood and agreed.
12. To achieve planned coverage, deliver a high standard of customer care and demonstrate the effectiveness of the service, the following internal audit service targets have been established against which performance will be monitored:

<b>Aspect of service</b>	<b>Performance indicators</b>	<b>Target</b>
Cost and quality of input	• Service costs	• Within budget
	• Planned days delivered	• 100%
	• Direct time as % of total time	• 75%
Productivity and process efficiency	• Achievement of annual plan	• 90% minimum
	• Delivery of high risk audits	• 100%
	• Issue of draft report within completion of fieldwork and agreement of action plans	• Within 10 days
	• Client response received to draft audit reports from issue	• Within 10 days
	• Issue of final report after agreement with client of draft	• Within 10 days
Quality of output	• Client satisfaction levels	• 80% satisfaction
	• External audit reliance on work of internal audit	• Reliance placed
Compliance with professional standards	• CIPFA Code of practice for internal audit in local government (2006)	• Compliant
Outcomes and degree of influence	• Implementation of agreed actions	• 90% of high priority actions

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

13. None.

### **Revenue**

14. None.

### **Property**

15. None.

### **Other**

16. None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

17. The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to 'maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

### **Other Legal Implications:**



18. None.

**POLICY FRAMEWORK IMPLICATIONS**

19. None.

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Internal Audit: Strategic Internal Audit Plan 2010/11 to 2012/13
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**Documents In Members' Rooms**

1.	None.
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**Background Documents**

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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**Background documents available for inspection at:** Internal Audit Office, North Block Basement, Civic Centre

**KEY DECISION?** Not applicable.

**WARDS/COMMUNITIES AFFECTED:** Not applicable.

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**1 Appendix: Strategic Internal Audit Plan 2010/11 to 2012/13**

<b>Key to review theme or type:</b>		<b>Key to Audit Sponsor:</b>	
<b>Reference</b>	<b>Description</b>	<b>Reference</b>	<b>Description</b>
TP	Transformational Projects	CEX	Chief Executive
CC	Corporate/ Cross Cutting Reviews	CHC	Executive Director, Communities, Health and Care
IS	Information Systems Reviews:	CSL	Executive Director, Children's Services and Learning
FM	Financial Management Reviews:	ENV	Executive Director, Environment
CO	Corporate Governance	NBH	Executive Director, Neighbourhoods
QS	Providing good value, high quality services	RES	Executive Director, Resources
CW	Getting the city working	SOL	Solicitor to the Council
ET	Investing in education and training		
PS	Keeping people safe		
CG	Keeping the city clean and green		
LP	Looking after people		
MS	Reviews of miscellaneous services		
OA	Other Direct Audit Activity:		

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
<b>Transformational Projects</b>						
TP	Decent homes and Estates	NBH	H	✓		✓
TP	Putting People First (In Control)	CHC	H	✓	✓	✓
TP	Building Schools for the Future	CSL	H	✓	✓	✓
TP	City Renaissance	ENV	H	✓		✓
TP	Town Depot Relocation	ENV	M	✓		✓
TP	Local and Regional Planning	ENV	M	✓		✓
TP	Developing the Neighbourhood Agenda and Community hubs	NBH	M	✓		✓
TP	Use of Natural Resources	ENV	H	✓		✓
TP	Estate Regeneration	NBH	H	✓		✓
TP	Sheltered housing review	NBH	M	✓		✓
TP	Heritage centre	NBH	M	✓		✓
TP	Tudor House Museum	NBH	M	✓		✓
<b>Corporate Cross Cutting Reviews</b>						
CC	Accommodation strategy and property management	RES	M		✓	
CC	Property Strategy	RES	M		✓	
CC	Compliance with health and safety legislation	RES	M		✓	
CC	Contract management	RES	H	✓		✓

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
CC	Corporate business continuity and emergency planning	NBH	M		✓	
CC	Information governance	RES	M	✓		✓
CC	Workforce Strategy	RES	M	✓		✓
CC	Partnerships governance and reviews	CEX	H	✓		✓
CC	Human Resources	RES	M		✓	
CC	Procurement	RES	H	✓		✓
CC	Project management	RES	H	✓		✓
CC	Strategic service partnership	RES	H	✓	✓	✓
CC	Customer research and community consultation	CEX	M		✓	
CC	Customer services	RES	L	✓		
CC	Flexible working programme	RES	M			✓
CC	Local and multi area agreement	CEX	M	✓	✓	✓
CC	Risk Financing	RES	L		✓	
CC	Corporate communications and marketing	CEX	M		✓	
CC	Use of transport	ENV	M		✓	
CC	Repairs and Maintenance	RES	M	✓		
<b>Financial Management Reviews</b>						
FM	Housing and Council Tax Benefits administration	RES	M	✓	✓	✓

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
FM	Asset management	RES	M	✓	✓	✓
FM	Cash collection and banking	RES	M	✓	✓	✓
FM	Creditors	RES	L	✓	✓	✓
FM	Debtors	RES	M	✓	✓	✓
FM	Expenses management	RES	M	✓		✓
FM	Financial Management	RES	M		✓	
FM	Housing rent collection and debt management	NBH	M	✓	✓	✓
FM	Council Tax	RES	M	✓	✓	✓
FM	NNDR	RES	M	✓	✓	✓
FM	Main Accounting System	RES	M	✓	✓	✓
FM	Payroll	RES	M	✓	✓	✓
FM	VAT accounting	RES	L	✓		
FM	Treasury and Cash Flow Management	RES	L		✓	
<b>Information System Reviews</b>						
IS	Inventory management	RES	M		✓	
IS	Computer installations and operations	RES	H	✓		✓
IS	IS security management	RES	M	✓		✓
IS	IS strategy, planning and standards	RES	H	✓		✓

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
IS	IT operating systems	RES	M	✓		✓
IS	Network management and security	RES	M		✓	
IS	Internet/e-mail	RES	M	✓		✓
IS	IT solutions development and support	RES	H		✓	
<b>Corporate Governance Reviews</b>						
CO	Corporate governance framework	SOL	L		✓	
CO	Decision making and accountability	SOL	M			✓
CO	Corporate performance management	CEX	L	✓		
CO	Internal audit	RES	L	✓	✓	✓
CO	Annual Governance Statement	RES	L	✓	✓	✓
CO	Risk Management	RES	L		✓	
CO	Fraud Thematic Review	RES	H	✓	✓	✓
CO	Precautions against fraud	RES	H	✓	✓	✓
CO	Code of Conduct	RES	M		✓	
CO	Corporate Compliments, Comments and Complaints	CEX	L		✓	
<b>Key Priority - Providing good value, high quality services</b>						
QS	Joint Commissioning Standards	CHC	M	✓		✓
QS	Efficiency Strategy	RES	M	✓		✓

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
<b>Key Priority - Getting the city working</b>						
CW	Highways futures	ENV	H	✓	✓	✓
CW	Section 106 agreements	ENV	M	✓		✓
CW	City Design	CEX	M			✓
CW	Events	NBH	L		✓	
CW	Tourism	CEX	L		✓	
CW	Economic development	CEX	L			✓
<b>Key Priority - Investing in education and training</b>						
ET	Across Schools thematic reviews	CSL	H	✓	✓	✓
ET	General school reviews	CSL	H	✓	✓	✓
ET	Sports and recreation venues	NBH	M		✓	
ET	Sports and recreation partnership	NBH	H	✓	✓	✓
ET	Post 16 Provision	CSL	H	✓	✓	✓
ET	Arts and museums	NBH	L		✓	
ET	Libraries	NBH	L			✓
ET	School admissions	CSL	M	✓		
ET	Schools' catering services	CSL	L		✓	
ET	Schools PFI Contract management	CSL	M			✓



Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
ET	Pupil Support Services (PRU)	CSL	H		✓	
ET	Schools grant funding	CSL	M		✓	
ET	Schools standards and improvement services	CSL	L			✓
<b>Key Priority - Keeping people safe</b>						
PS	Neighbourhood Wardens	NBH	L		✓	
PS	Contact Point	CSL	H	✓	✓	✓
PS	Children and young people's plan	CSL	M	✓		✓
PS	CCTV services	NBH	L			✓
PS	Safeguarding	CSL	H	✓		✓
PS	Local transport plan	ENV	L		✓	
<b>Key Priority - Keeping the city clean and green</b>						
CG	Public Transport	ENV	L		✓	
CG	Street cleansing	NBH	M		✓	
CG	Street Lighting PFI	ENV	H	✓	✓	✓
CG	Parks and Open Spaces	NBH	M		✓	
CG	Waste and recycling services	ENV	M	✓		✓
CG	Sustainability	ENV	M		✓	
CG	Environmental Health	ENV	M		✓	

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
<b>Key Priority - Looking after people</b>						
LP	Commissioning Plan for Health and Wellbeing	CHC	L		✓	
LP	Housing Needs	NBH	M			✓
LP	Housing Management	NBH	M	✓		
LP	Thornhill Plus You	CEX	H	✓		
LP	Private Sector Housing	NBH	L		✓	
LP	Concessionary travel	RES	L		✓	
LP	Grants to Voluntary Organisations	NBH	M		✓	
LP	Intermediate Care	CHC	M	✓		
LP	Adult and Learning disability services	CHC	M			✓
LP	Children and youth support services	CSL	M		✓	
LP	Provider services	CHC	H	✓		✓
LP	Mental health and substance misuse services	CHC	L		✓	
LP	Later Years Partnership	CHC	L		✓	
LP	Direct payments	CHC	M		✓	
LP	Disabled children's services	CSL	L			✓
<b>Miscellaneous Service Reviews</b>						
MS	Development control	ENV	L			✓

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
MS	Fleet transport	ENV	L	✓		✓
MS	Itchen Bridge	ENV	M		✓	
MS	Abandoned vehicles	ENV	L	✓		
MS	Building control	ENV	L			✓
MS	Licensing	SOL	L		✓	
MS	Local Land Charges	SOL	L			✓
MS	Registration services	ENV	M		✓	
MS	Bereavement Services	ENV	L	✓		
MS	Building Works	NBH	H		✓	
MS	European and internal services initiatives	CEX	L		✓	
MS	Regeneration and renewal	CEX	M		✓	
MS	Parking services	ENV	M	✓		✓
MS	Electoral Registration	SOL	L		✓	
<b>Other Audit Activity</b>						
OA	European funding	ENV	L	✓	✓	✓
OA	FMSiS: Primary and special schools	CSL	H	✓	✓	✓
OA	FMSiS: Secondary schools	CSL	H	✓	✓	✓
OA	Audit Commission Liaison	-	-	✓	✓	✓

Review Type	Audit	Audit Sponsor	Priority	10/11	11/12	12/13
				Audit coverage		
OA	Audit Committee support/ member liaison	-	-	✓	✓	✓
OA	Hampshire camera partnership	-	L	✓	✓	✓
OA	National Fraud initiative	-	H	✓	✓	✓
OA	Solent sea rescue	-	L	✓	✓	✓
OA	Special Commissions/ ad hoc consultancy and advice/ contingency	-	-	150	150	150
<b>Total number of reviews</b>				74	80	78
<b>Total number of available days</b>				1420	1420	1420

# Agenda Item 10

## ITEM NO: 10

<b>DECISION-MAKER:</b>	AUDIT COMMITTEE			
<b>SUBJECT:</b>	MONITORING AUDIT COMMITTEE RECOMMENDATIONS			
<b>DATE OF DECISION:</b>	18 MARCH 2010			
<b>REPORT OF:</b>	DEMOCRATIC SUPPORT AND MEMBERS SERVICES MANAGER			
<b>AUTHOR:</b>	Name:	JUDY CORDELL	Tel:	023 8083 2766
	E-mail:	Judy.Cordell@southampton.gov.uk		

### STATEMENT OF CONFIDENTIALITY

None

### SUMMARY

The monitoring system is designed to provide a mechanism for Members of the Committee to track and discuss the progress of previous Audit Committee recommendations.

### RECOMMENDATIONS:

- (i) To consider the action taken since its last meeting.
- (ii) To offer further comments and recommendations on any outstanding issues.

### REASONS FOR REPORT RECOMMENDATIONS

1. To enable the Audit Committee to monitor the progress of recommendations made at previous meetings.

### CONSULTATION

2. None

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None

### DETAIL

4. The summary of recommendations from the Panel's last meeting are set out in Appendix 1 together with outstanding recommendations from previous meetings.

The key elements of the monitoring form system are:-

- (i) every Audit Committee recommendation is recorded on the monitoring form;
- (ii) each Audit Committee recommendation remains on the monitoring form until action has been taken and it is judged to be either satisfactory or conclusive by the Audit Committee; and

- (iii) the 'Status' column relates to whether the action taken so far is a sufficient response to the issues raised by the Audit Committee, in which case the matter is marked as 'Completed'. If the action is substantially uncompleted it is reported as 'Ongoing'. The matter remains on the list and is reported again at the next meeting. Provided that the Panel is satisfied with the response, the item will be removed from the list produced for the next meeting.

5. Details of the actions taken since the previous meeting will be reported verbally at the meeting. At the next meeting recommendations from this meeting will be added to the list and information on progress provided. Those items reported as completed this time will be removed from the next list.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

6. None

### **Revenue**

7. None

### **Property**

8. None

### **Other**

9. None

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

10. The duty to be satisfied and provide assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies is set out in the Local Government Act 1972.

### **Other Legal Implications:**

11. None

## **POLICY FRAMEWORK IMPLICATIONS**

12. None

**SUPPORTING DOCUMENTATION**

**Appendices**

1.	Audit Committee Monitoring – to January 2010
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**Documents In Members' Rooms**

1.	None
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**Background Documents**

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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**Background documents available for inspection at:** N/A

**KEY DECISION?** NO

<b>WARDS/COMMUNITIES AFFECTED:</b>	None
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**PROGRESS MONITORING REPORT to MARCH 2010 – AUDIT COMMITTEE**

Title of Agenda Item	Concern/Cause	Action Proposed	Responsibility	By when	Action Taken	Status
<b>MEETING HELD ON 10 DECEMBER 2009</b>						
4. Audit Commission: Annual Audit Letter 2008/09	Levels of academic attainment in Southampton schools in light of the increases of expenditure in recent years.	that with regard to Key Messages Section 8 page 4 – Actions contained in the Letter the Executive Director of Children’s Services and Learning be requested to submit a report to the January, 2010 meeting in view of the Committee’s concern on the levels of educational performance and attainment in the City’s schools advising and informing on the action being taken and proposed together with an overview of the use of financial resources.	Paul Nugent	Dec 09	Overview and Scrutiny Management received and report from the Cabinet Member for Children’s Services and Learning on 21 <sup>st</sup> January 2010	<b>COMPLETED</b>

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