

SUBJECT:	<b>Internal Audit: Status of Work</b>
MEETING:	<b>Audit Committee</b>
DATE OF MEETING:	<b>23 June 2010</b>
REPORT OF:	<b>Chief Internal Auditor</b>
REPORT DATE:	<b>May 2010</b>

<b>1 Internal audit report opinion definitions:</b>
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<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
				Aug 2008	Nov 2008	Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010	June 2010		
Fleet Transport	08/04/08	Executive Director of Environment	Environment	G	G	G	G	G	G	G	G	11 (0)	1 (0)
Licensing	16/04/08	Chief Executive	Legal and Democratic Services	G	G	G	G	G	G	G	G	13 (3)	1(0)
Network Management	10/06/08	Executive Director of Resources	Resources	A	G	G	G	G	G	G	X	19 (0)	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	G	8 (4)	1 (0)
Affordable Housing	14/08/08	Executive Director of Neighbourhoods	Neighbourhoods	A	G	G	G	G	G	G	G	12 (4)	1 (0)
Town Depot Stores	05/09/08	Executive Director of Neighbourhoods	Neighbourhoods		A	A	G	G	G	G	X	11 (3)	0
Itchen Bridge	16/09/08	Executive Director of Resources and Executive Director of Environment	Resources / Environment		A	G	G	G	G	G	X	4 (0)	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	June 2010		
Capital Programme and Major Projects	01/12/08	Executive Director of Resources	Cross-cutting		A	A	A	A	A <sub>2</sub>	A <sub>1</sub>	X	7(0)	0
Public Transport	04/02/09	Executive Director of Environment. Executive Director of Resources	Environment			A	G	G	G	G	X	5(2)	0
Mental Health and Substance Misuse	23/03/09	Executive Director Communities Health and Care	Communities Health and Care				A	A	A <sub>2</sub>	G	X	6 (3)	0
Woodmill	26/03/09	Executive Director of Neighbourhoods and Executive Director of Resources	Neighbourhoods and Resources				R	A	G	G	G	9 (8)	1 (0)
Computer Installations & Operating Systems	14/05/09	Executive Director of Resources	Resources					A	A <sub>2</sub>	A <sub>2</sub>	G	20 (6)	1 (0)
IS Security Management	14/05/09	Executive Director of Resources	Resources					A	G	G	G	13 (3)	4 (0)
Registration Services	16/06/09	Executive Director of Environment	Environment					G	G	G	G	6 (0)	4 (0)
Development Control	19/06/09	Executive Director of Environment	Environment					G	G	G	G	1 (1)	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	June 2010		
Sports and Recreation Venues	23/06/09	Executive Director of Neighbourhoods	Neighbourhoods					A	G	G	X	10 (7)	0
Debtors	30/06/09	Executive Director of Resources	Resources					G	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	X	1 (0)	0
Open Spaces and Street Cleansing	01/07/09	Executive Director of Neighbourhoods	Neighbourhoods					A	G	G	G	9 (2)	2 (1)
School PFI Contract Management	03/07/09	Executive Director, Children Services and Learning	Children Services and Learning					A	A1	A1	A1	8 (1)	6 (1)
Contract Management	07/07/09	Executive Director of Resources	Resources					A	G	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	G	5 (1)	1 (0)
Transport Services Income Investigation	14/09/09	Executive Director of Resources	Resources						R	G	X	22 (22)	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	June 2010			(of which are 'high' priority)
School Catering Services	17/09/09	Executive Director of Children Services and Learning	Children Services and Learning							<b>G</b>	<b>G</b>	<b>X</b>	5 (1)	0
NNDR	08/12/09	Executive Director of Resources	Resources							<b>G</b>	<b>G</b>	<b>X</b>	4 (0)	0
CCTV Services	05/01/10	Executive Director of Neighbourhoods	Neighbourhoods							<b>G</b>	<b>G</b>	<b>G</b>	11 (2)	3 (0)
Woodlands Community College	18/01/10	Executive Director of Children, Services and Learning	Children Services and Learning							<b>R</b>	<b>G</b>	<b>X</b>	25 (25)	0
Procurement Follow Up	08/02/10	Executive Director of Resources	Resources								<b>G</b>	<b>G</b>	3 (2)	1 (1)
Accommodation Strategy and Flexible Working	08/02/10	Executive Director of Resources	Resources								<b>G</b>	<b>G</b>	6 (1)	1 (0)
Integrated Transport and the Local Transport Strategy 2009/10	08/02/10	Executive Director of Environment	Environment								<b>A2</b>	<b>X</b>	19 (0)	0
Land and Property Management	25/02/10	Executive Director of Resources	Resources									<b>G→X</b>	2 (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	June 2010			(of which are 'high' priority)
Adult Learning and Disability	25/02/10	Executive Director of Health and Adult Social Care	Health and Adult Social Care									<b>G</b>	2 (0)	2 (0)
Payroll	23/03/10	Executive Director of Resources	Resources									<b>G</b>	3 (2)	3 (2)
Creditors	31/03/10	Executive Director of Resources	Resources									<b>A1→G</b>	5 (0)	2 (0)
Highways Network Management	25/03/10	Executive Director of Environment	Environment									<b>G→X</b>	3 (0)	0
Housing Rents Collection and Debt Management	08/04/10	Executive Director of Neighbourhoods	Neighbourhoods									<b>A1→G</b>	8 (1)	1 (0)
Highways Resources Management	20/04/10	Executive Director of Environment	Environment									<b>A1→X</b>	5 (0)	0
Decent Homes	11/05/10	Executive Director of Neighbourhoods	Neighbourhoods									<b>A1</b>	7 (1)	7 (1)
Corporate Governance Framework	12/05/10	Solicitor to the Council	Chief Executives									<b>G</b>	3 (0)	3 (0)

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

**Audit title: Decent Homes (11/05/10)**

**Original published audit opinion:** Adequate Assurance [A1]

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

**Executive summary:**

The decent homes programme status report as at 31st March 2010 in respect of National Indicator- 158 shows 10% of the council housing stock is 'Non-decent' against the services performance target of 9%. The target, as indicated by the Stock Condition Database Manager, was not met due to a variety of reasons, the most notable being severe weather conditions (snowfall).

The Decent Homes surveys were largely completed in December 2009 with the outcome recorded on Codeman. Due to nature of these surveys and difficulties in gaining access to tenants' homes this activity will continue as further access is achieved. Due to the volume of data collected there has been an absence of quality checks on the transfer of data between the surveyors' spreadsheets and Codeman, from the sample reviewed audit testing highlighted some evidence of variance and omission.

Analysis of two months data questioned the efficiency of the process followed with regard Decent Homes survey visits. Of the properties visited only 56% were successful on the initial visit. Current practice requires a card to be left to arrange a second visit to access the property. Such revisits were cost and resource intensive. The Management has proposed that an offer of an appointment will be used for all future surveys to improve the effectiveness of the surveying resource.

The Housing Health and Safety Rating System (HHSRS) is a risk assessment system to assess the potential risk to the health and safety of occupants in residential properties and came into effect from 6<sup>th</sup> April 2006. The Codeman system has not been configured to record the HHSRS information at the present time. Policy for the implementation of HHSRS is now in process being prepared for the Council approval.

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

An appropriate action plan has been compiled.

**High priority actions overdue:**

None

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

**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

**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. The Audit Commission's *'Use of Resources' assessment 2008/09 and based on the key lines of enquiry for 2009* seen the overall theme score for Internal Control assessed as a '3'

**6 Planning and Resourcing**

The Internal audit team is operating with a 12.5% shortfall (1 fte) against the current establishment. Recruitment is currently being reviewed

**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
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

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
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
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

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Land and property management	✓	✓	✓	✓	25/02/10
Highways Network Management	✓	✓	✓	✓	25/02/10
Adult and Learning Disability	✓	✓	✓	✓	25/02/10
Main Accounting System	✓	✓	✓	✓	26/02/10
Payroll	✓	✓	✓	✓	23/03/10
Creditors	✓	✓	✓	✓	31/03/10
European Funding	✓	✓	✓	✓	31/03/10
Housing rent collection and debt management	✓	✓	✓	✓	08/04/10
Highways Resources Management	✓	✓	✓	✓	20/04/10
Decent Homes and Estates	✓	✓	✓	✓	11/05/10
Corporate Governance Framework	✓	✓	✓	✓	12/05/10
Financial Management	✓	✓	✓	✓	19/05/10

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Cash Collection and banking	✓	✓	✓	✓	
Network Management	✓	✓	✓	✓	
Corporate Business Continuity Planning	✓	✓	✓	✓	
Application Software Management	✓	✓	✓	✓	
Data Management – Children Services	✓	✓	✓	✓	
IT Solutions Development	✓	✓	✓	✓	
Risk Management	✓	✓	✓	✓	
Contract Management Follow up	✓	✓	✓	✓	
Housing Needs	✓	✓	✓	✓	
Fraud thematic – CRB's/qualifications	✓	✓	✓	✓	
Commissioning Plan for Health and Wellbeing	✓	✓	✓		
Children's Trust arrangements for the delivery of the children's plan	✓	✓	✓		

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Across School thematic review	✓	✓	✓		
Risk Financing	✓	✓			
Financial Management Standards in Schools	28 of 28 complete				

FMSiS Analysis				
Schools Assessed (2009-10)	Pass	Conditional (to Pass)	Not Achieved	Comments
28	7	20	1	<p>Review of Holy Family Junior school FMSiS self-assessment (February 10) highlighted significant gaps in evidence to support attainment of the key standards. A schedule of issues arising was subsequently provided to the school highlighting areas where it was deemed the Standard had not been met.</p> <p>Holy Family Junior School submitted a revised self-assessment on 18 May 2010; this is currently being reviewed.</p>

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued ( <i>proposed</i> )
<b><u>2010/11 Audit Plan</u></b>					
Safeguarding	✓	✓	✓	✓	
Annual Governance Statement	✓	✓	✓	✓	
Abandoned Vehicles	✓	✓	✓		
Hampshire Camera Partnership	✓	✓	✓		
Bereavement Services	✓				

<b>8 Status of 'Live' External Audit</b>
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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	Penny Furness - Smith	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	Penny Furness - Smith	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	A protocol comprising of a Partnership Code and Toolkit was approved by Full Council in May 2009. This has been placed on the Council's intranet together with a Partnership Register to assist in assessing the VFM and contribution made by each to city

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
							life. A Partnership VFM Assessment Framework and checklist has also been developed to complement this work. This was discussed with the Audit Commission as part of their initial 2010 CAA work. This revised approach to determining the VFM of partner contributions has also been tested against key partnership activities undertaken in 2009/10.
<b>Data Quality (Mar 09)</b>							
Management arrangements							
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	Mar-10	A national CAA information sharing protocol devised by key inspectorates was agreed by the Southampton Partnership Delivery Board in August 2009. Work has continued to facilitate the electronic transfer of data between

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
					as well as other information management requirements.		health, the DWP, Police and the City Council to facilitate information sharing and joint work between LAA partners. In February 2010 the partners that make up the Children's and Young Person's Trust agreed a generic and specific data sharing protocols. This agreement has also been used as the basis of the information sharing arrangements agreed by the Delivery Board and partners in setting up a City wide Research and Information Board, which now oversees partner input into and use of the data contained within the Mosaic Customer Insight system.
7	Consistently apply existing quality checking of externally reported data more effectively, supported by	2	Joy Wilmot-Palmer	Yes	The sign off arrangements for externally reported data, including HIP forms, will be reviewed. Updated guidance will be	Mar-10	Policy Co-ordinators contributed to an initial overview of key

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
	refresher training for staff.				issued and the respective roles of Heads of Service and Policy Co-ordinators within the quality assurance process will be reinforced.		externally reported / shared data sets in October 2009 and have also initiated spot checks of the existing sign off arrangements of key national returns – providing feedback to appropriate officers as necessary. Data Quality issues have also featured in discussions about the information reported on the national Data Hub and in the development of the first phase of the Council's Business Metrics initiative. Following a recent discussion at the Chief Officers Management Team a review has now been put in train of all published council data, which will feed into the new national Open Data initiative.