

SUBJECT:	Internal Audit: Status of Work
MEETING:	Audit Committee
DATE OF MEETING:	22 September 2010
REPORT OF:	Chief Internal Auditor
REPORT DATE:	August 2010

1 Opinion definitions

Opinion	Framework of governance, risk management and management control
Substantial assurance [G]	A sound framework in place that is operating effectively. Some immaterial evidence of inconsistent application.
Adequate Assurance [A1]	Basically a sound framework in place but with repeated evidence of inconsistent application.
Limited assurance [A2]	Critical weakness(es) identified within the framework or significant evidence of inconsistent application.
No assurance [R]	Fundamental weaknesses have been identified or the framework is ineffective or absent.
Closed [X]	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
				Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010	Jun 2010	Sep 2010		
Fleet Transport	08/04/08	Executive Director of Environment	Environment	G	G	G	G	G	G	X	11 (0)	0
Licensing	16/04/08	Chief Executive	Legal and Democratic Services	G	G	G	G	G	G	X	13 (3)	0
Across Schools Thematic Reviews – Security	16/06/08	Executive Director Children's Services and Learning	Children's Services and Learning	A	G	G	G	G	G	G	8 (4)	1 (0)
Affordable Housing	14/08/08	Executive Director of Neighbourhoods	Neighbourhoods	G	G	G	G	G	G	X	12 (4)	0
Woodmill	26/03/09	Executive Director of Neighbourhoods, Executive Director of Resources	Neighbourhoods and Resources		R	A	G	G	G	X	9 (8)	0
Computer Installations & Operating Systems	14/05/09	Executive Director of Resources	Resources			A	A2	A2	G	X	20 (6)	0
IS Security Management	14/05/09	Executive Director of Resources	Resources			A	G	G	G	X	13 (3)	0

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010	Jun 2010	Sep 2010		
Registration Services	16/06/09	Executive Director of Environment	Environment			G	G	G	G	X	6 (0)	0
Development Control	19/06/09	Executive Director of Environment	Environment			G	G	G	G	X	1 (1)	0
Debtors	30/06/09	Executive Director of Resources	Resources			G	G	G	G	X	5 (1)	0
Open Spaces and Street Cleansing	01/07/09	Executive Director of Neighbourhoods	Neighbourhoods			A	G	G	G	X	9 (2)	0
School PFI Contract Management	03/07/09	Executive Director, Children Services and Learning	Children Services and Learning			A	A1	A1	A1	G	8 (1)	1 (0)
Contract Management	07/07/09	Executive Director of Resources	Resources			A	G	G	G	X	9 (1)	0
Emergency Home Closures	28/07/09	Director of Health and Community Care	Communities Health and Care			A	G	G	G	X	5 (1)	0
CCTV Services	05/01/10	Executive Director of Neighbourhoods	Neighbourhoods				G	G	G	G	11 (2)	3 (0)
Procurement Follow Up	08/02/10	Executive Director of Resources	Resources					G	G	G	3 (2)	1 (1)

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010	Jun 2010	Sep 2010		
Accommodation Strategy and Flexible Working	08/02/10	Executive Director of Resources	Resources					G	G	X	6 (1)	0
Adult Learning and Disability	25/02/10	Executive Director of Health and Adult Social Care	Health and Adult Social Care						G	G	2 (0)	2 (0)
Payroll	23/03/10	Executive Director of Resources	Resources						G	G	3 (2)	2 (1)
Creditors	31/03/10	Executive Director of Resources	Resources						G	G	5 (0)	2 (0)
Housing Rents Collection and Debt Management	08/04/10	Executive Director of Neighbourhoods	Neighbourhoods						G	G	8 (1)	1 (0)
Decent Homes	11/05/10	Executive Director of Neighbourhoods	Neighbourhoods						A1	G	7 (1)	6 (0)
Corporate Governance Framework	12/05/10	Solicitor to the Council	Chief Executives						G	G	3 (0)	1 (0)
Pupil Referral Unit	10/06/10	Executive Director, Children Services and Learning	Children Services and Learning							R→A1	24 (18)	6 (4)
Risk Management	15/06/10	Executive Director of Resources	Resources							G	3 (0)	3 (0)

Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Feb 2009	May 2009	Aug 2009	Dec 2009	Mar 2010	Jun 2010	Sep 2010		
Abandoned Vehicles	22/06/10	Executive Director, Environment	Environment							G	5 (0)	0
Fuel Management and Fleet Workshop	13/07/10	Executive Director, Environment Executive Director, Neighbourhoods	Environment Neighbourhoods							A2→G	14 (6)	3 (1)
Children's Trust Arrangements for the Delivery of the Children's and Young Peoples Plan	20/07/10	Executive Director, Children Services and Learning	Children Services and Learning							G	2 (0)	2 (0)
4Social Care Work	26/07/10	Executive Director, Children Services and Learning	Children Services and Learning							A2	6(6)	6 (6)
Data Management – Children Services	05/08/10	Executive Director, Children Services and Learning	Children Services and Learning							A1	12 (9)	12 (9)
Safeguarding – Contact Scheme	13/08/10	Executive Director, Children Services and Learning	Children Services and Learning							R→A1	34 (28)	8 (6)

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

Audit title: Data Management – Children’s Services (05/08/10)

Original published audit opinion: Adequate Assurance [A1]

Current audit opinion: Adequate Assurance [A1]

Executive summary:

Performance indicators are regularly reported and scrutinised at Children's Services and Learning Management Team meetings. In addition, quarterly monitoring is undertaken by the Corporate Policy Team on directorates completing the appropriate fields within CorVu.

Currently no formal (recorded) monitoring is undertaken of compliance with statutory and non-statutory return deadlines. Informal monitoring is undertaken through staff one-to-ones, team meetings and against the Team's Business Plan.

The definitions/methodology for local and national indicators are not always consistent which can cause confusion as to how the local definition should be calculated and may result in inconsistent reporting. This is partly due to the methodology for local indicators not being documented and relying on the experience, assumptions and judgement of the Data Analyst to calculate them.

Due to the relative size of the Children's Data Team there is currently limited formalised arrangements/capacity in place for members of the team to shadow/cover colleagues. This can put additional pressure on the team in case of staff shortage because they do not have the specialist/detailed knowledge of the other indicators.

Data quality issues exist within PARIS in relation to the assessment dates and a number of them require amendment by the Data Analyst before the performance of the related indicator can be undertaken. In addition, there are a number of reports that do not use automated reporting from the various feeder systems.

Management actions and update:

An appropriate action plan has been compiled to mitigate identified risks

Audit title: Fuel Management and Fleet Workshop (12/07/10)

Original published audit opinion: Limited assurance [A2]

Current audit opinion: Substantial assurance [G]

Executive summary:

Following receipt of an anonymous letter regarding working practices within the Fleet Transport Workshop, an internal audit review was commissioned by the Head of Waste and Fleet Transport to investigate reported allegations.

Due to the generic nature of the allegations received the audit review sought to assess the effectiveness of the activities and controls implicated in the correspondence designed to mitigate the following risks:

- Unauthorised access of fuel from the fuel pump;
- Private work within the workshop
- Unauthorised use of stock from the workshop store

Unauthorised access of fuel from the fuel pump

The fuel management system records details of fuel transactions accessed from the pump. Fuel is administered through a dual control requiring the application of a fuel key (unique to each vehicle) and the vehicles odometer reading. A tolerance is currently permissible in respect of the odometer reading, of 999 miles enabling a substantial variance and potential impact on the vehicle consumption and efficiency stats.

Enhanced controls were further required with regard the allocation and access to approximately 100 fuel key fobs used for equipment that did not have an odometer and as such was not subject to the dual controls as was the case with the vehicles. The fuel monitoring report / system does not provide an easy method for individual cost centres to monitor fuel drawn to highlight excessive or misuse

Private work within the workshop

Workshop fitters are currently permitted to undertake private work outside of their shift hours to work on vehicles belonging to friends and family.

There is a number of significant legal, health and safety and insurance issues with regard current arrangements that place both the Council and the individual at risk.

Use of spare parts from workshop stores

Workshop stores can be accessed by the fitters out of hours. All stock requisitioned out of hours should be recorded on a sequentially numbered Store Issue Note and entered onto the system by the Store Manager the next working day.

Stock takes are undertaken annually (around October) with significant variances appropriately investigated. The 2009 stock take identified a deficit of £2,997.79 on a stock value of £85,944.25.

Many of the stock items contributing to the deficit include generic items that could be used in any vehicle i.e. oil, anti freeze, bulbs etc. There is a risk that weaknesses in stock control and security may contribute to the identified shortfalls.

Management actions and update since last report:

Odometer tolerance levels have been reduced to a more appropriate level

Administrative procedures put in place for the return of fuel fobs

Neighbourhood Wardens have been contacted to ensure procedures are in place to enable management of fuel uptake

Mangers made aware of how to access the Jigsaw system to produce monthly reports on fuel uptake

Process reviewed by which the cost of fuel is drawn and recharged

Dates and times entered onto all job cards to enable clear management trail

A reconciliation is now undertaken to ensure fuel issued is appropriately recharged in respect of the fob retained within the transport office

In light of legal, health and safety and insurance risks all private work has been stopped

Stock control s have been enhanced to ensure:

- Spoilt issue notes are retained to provide a complete management trail
- Issue notes are appropriately filed and retained
- Secure arrangements have been put in place for generic items whereby stock takes identified significant variances

High priority actions overdue:

Contact each business area asking them to verify who holds their fuel master fobs (31/07/10).

N.B. Business areas have been contacted, however a number of responses remain outstanding

4 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.

Results from a survey conduct earlier this year demonstrate that management are largely satisfied with the internal audit service and its ability to contribute to the Council's control environment and assist in achieving its objectives.

Survey Question	Response - Good, Very Good or Excellent
How do you rate the service provided by Internal Audit	83.3%
Survey Question	Response - Yes
The internal audit service makes an effective contribution to the Council's control environment?	89.1%
Internal audit is of value and assists the Council in achieving its objectives?	91.5%

5 Planning and Resourcing

The Internal audit team is operating with a 12.5% shortfall (1 fte) against the current establishment. We are currently advertising to fill this vacancy (closing date 13 August 010)

6 Rolling work programme

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
<u>2009/10 Audit Plan</u>					
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)
Housing Needs	✓	✓	✓	✓	04/06/10
Risk Management	✓	✓	✓	✓	15/06/10
Children's Trust arrangements for the delivery of the children's plan	✓	✓	✓	✓	20/07/10
Corporate Business Continuity Planning	✓	✓	✓	✓	27/07/10
Data Management – Children Services	✓	✓	✓	✓	05/08/10
Contract Management Follow up	✓	✓	✓	✓	09/08/10
Network Management	✓	✓	✓	✓	
Application Software Management	✓	✓	✓	✓	
IT Solutions Development	✓	✓	✓	✓	
Fraud thematic – CRB's/qualifications	✓	✓	✓	✓	
Commissioning Plan for Health and Wellbeing	✓	✓	✓	✓	
Across School thematic review	✓	✓	✓	✓	

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
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 (proposed)
<u>2010/11 Audit Plan</u>					
Annual Governance Statement	✓	✓	✓	✓	19/05/10
Hampshire Camera Partnership	✓	✓	✓	✓	24/05/10
Abandoned Vehicles	✓	✓	✓	✓	22/06/10
Bereavement Services	✓	✓	✓	✓	03/08/10
Solent Sea Rescue	✓	✓	✓	✓	09/08/10
Safeguarding – Contact Scheme	✓	✓	✓	✓	13/08/10
Expenses Management	✓	✓	✓	✓	
General School Review – Holybrook Junior	✓	✓	✓	✓	
Sports and Recreation partnership	✓	✓			
Thornhill Plus You	✓	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Payroll	✓	✓			
National Fraud Initiative	n/a	✓			
European Funding	n/a	✓			
Main Accounting System	✓	✓			
NNDR	✓				
VAT Accounting	✓				
Section 106 agreements	✓				
General School review – St Marks	✓				
Housing and Council Tax Benefit Administration	✓				
Creditors	✓				
Financial Management Standards in Schools	3 of 22 complete				

FMSiS Analysis				
Schools Assessed (2010-11)	Pass	Conditional	Not Achieved	Comments
3		3		-

7 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)	1 (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)	1 (1)

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
Opinion Interim Report (Jun 08)							
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.
Final Account Memo (Dec 08)							
Registration of assets with the Land Registry							
-	The registration of ownership of Land & Buildings with the Land Registry should be continued until completed.	2	John Spiers	Yes	This work is undertaken by Legal Services who have taken on a 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.	Ongoing	Ongoing

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date	Progress / Update
Use of Resources (Mar 09)							
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.