

SUBJECT:	Internal Audit: Progress Report
MEETING:	Audit Committee
DATE OF MEETING:	06 December 2011
REPORT OF:	Chief Internal Auditor
REPORT DATE:	November 2011

1 Opinion definitions

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

2 Status of 'live' reports:

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Overdue	Pending
Payroll	23/03/10	Corporate Services	Substantial	Substantial	3(2)	1(1)	2(1)*	
Creditors	31/03/10	Corporate Services	Substantial	Substantial	5(0)	3(0)	2(0)**	
Application and Software Management	12/10/10	Corporate Services	Limited	Substantial	8(0)	6(0)	2(0)	
Network Management and Security	12/10/10	Corporate Services	Limited	Adequate	21(0)	17(0)	4(0)	
Vermont School	19/11/10	Families & Communities	Adequate	Adequate	8(1)	1(0)	7(1)	
Creditors	15/02/11	Corporate Services	Substantial	Substantial	1(0)	3(0)	1(0)**	
Expense Management	21/02/11	Corporate Services	Adequate	Substantial	13(0)	10(0)	3(0)*	
Payroll	21/02/11	Corporate Services	Substantial	Substantial	2(2)		2(2)*	
Debtors	07/03/11	Corporate Services	Substantial	Substantial	5(0)	3(0)	2(0)	
Section 106 Agreements	23/05/11	Environment	Limited	Adequate	5(5)	4(4)		1(1)
Internet and Email	20/07/11	Corporate Services	Adequate	Adequate	4(0)	2(0)	2(0)	
IT Security Management	20/07/11	Corporate Services	Limited	Substantial	10(3)	9(3)	1(0)	
IT Strategy and Service Delivery	20/07/11	Corporate Services	Adequate	Adequate	4(0)	1(0)	3(0)	
Customer Services	21/07/11	Corporate Services	Substantial	Substantial	3(0)	1(0)	2(0)	
School Admissions	19/08/11	Families & Communities	Adequate	Adequate	3(1)		1(1)	2(0)

Audit title	Report date	Accountable Director	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Overdue	Pending
Repairs and Maintenance	07/10/11	Corporate Services	Adequate	Adequate	3(1)	1(0)	1(1)	1(0)
Grants to Voluntary Organisations	18/10/11	Economic Development	Adequate	Adequate	11(4)	1(0)	4(2)	6(2)
Sholing Technology College	28/10/11	Families & Communities	Adequate	Adequate	4(4)			4(4)
Street Lighting PFI	03/11/11	Environment	Adequate	Adequate	21(0)	4(0)		17(0)
Libraries	09/11/11	Economic Development	Adequate	Adequate	13(9)	3(3)	1(1)	9(5)

* As part of the 'Phase 2 – Restructure' responsibilities for HR and Payroll have recently transferred to the Senior Manager - Legal, HR & Democratic Services who is currently undertaking a fundamental review of the way the service is delivered. The review will take onboard management actions from the audits highlighted above and is planned to be completed by 31 March 2012.

** Implementation of management actions are contingent on the delivery of the Procurement to Pay initiative which is scheduled for 1 April 2012

3 Planning and Resourcing

Partnership

A paper was considered by Cabinet (24 October 2011) with regard proposals for a shared internal audit service with Hampshire County Council and / or West Sussex County Council

A key driver for the shared service partnership is the organisational benefits that can be realised in terms of delivering an innovative and collaborative modern Internal Audit service. This would strengthen business resilience, improve the provision of audit specialism's, develop best practice, enable staff development and progression opportunities and raise the profile of the service on a local and regional basis.

The development of a shared service model, bringing together the professional discipline of internal audit across the partner local authorities, represents the opportunity to deliver a more responsive service that enhances business resilience within the partner authorities through its strength and depth.

Cabinets decision was:

- I. To agree in principle to support the establishment of an Internal Audit shared service partnership with Hampshire County Council and or West Sussex County Council, with Hampshire acting as host authority
- II. That the Head of Finance (CFO) be given delegated authority to:
 - a) continue to explore the setting up of a partnership, and
 - b) subject to ensuring that the partnership will be at a minimum cost neutral or a saving to the Council and in consultation with the Head of Legal and Democratic Services, to enter into a Partnership Agreement with Hampshire County Council and or West Sussex County Council for the provision of a joint internal audit services function with effect from 1 April 2012 upon such terms and conditions as the Head of Finance (CFO) considers appropriate and reasonable.
- III. That following the signing of the Partnership Agreement and on commencement of arrangements that internal audit staff (as detailed in exempt Appendix 1) be transferred under TUPE to Hampshire County Council.

Since the date of the Cabinet report West Sussex County Council has decided that now is not the right time for them to progress with the Partnership (although they may wish to pursue in the future). Southampton City Council and Hampshire County Council are however committed to continue with plans to deliver a shared internal audit service by February 2012

Resources

Following the resignation of an Auditor in August 2011 a decision was made not to recruit to the vacancy pending the results of the shared service review. This has inevitably had an effect on the delivery of the audit plan as reported to the Audit Committee in March 2011.

The loss of 1 FTE (approx 200 audit days) and the natural fluidity of the audit plan have effected the following revisions:

Original audit plan 65 reviews 1150 days		
Deferred reviews	Days	Reason
Street Cleansing and Parks & Open Spaces	-15	Loss of 1 FTE - removed due to priority
Rents - General	-12	Loss of 1 FTE - removed due to priority
Fraud Thematic	-20	Loss of 1 FTE - removed due to priority
Use of Transport (inc Fleet Transport)	-15	Subject to departmental review
Compliance with Health and Safety legislation	-20	External assurance review completed
General School Review - Mason Moor	-10	Loss of 1 FTE - removed due to priority
Across School thematic reviews x1	-25	Loss of 1 FTE - removed due to priority
IT Governance	-25	Loss of 1 FTE - removed due to priority
Policy and Corporate Performance Management	-15	Loss of 1 FTE - removed due to priority
Cash Collection and Banking	-15	Previous review finalised September 2011

Additional reviews	Days	Reason
Play Scheme Grant	5	Audit certification required
Itchen Bridge	10	Review of contingency arrangements
Heating Charges	30	To support the work of the External Auditor
General School Review – St Monica Infants	10	On request of Children’s Services Finance / Headteacher
PUSH	15	To provide assurance following the transfer from Hampshire County Council of the financial management of PUSH
Revised audit plan 60 reviews 1048 days		

4 Internal Audit Performance

Under the Accounts and Audit (England) Regulations 2011 the Council is required, at least once a year, to conduct a review of the effectiveness of its system of internal audit.

Guidance cites the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code) as proper practice in relation to internal audit in local authorities. A full self assessment against the Code has been completed and assurance gathered to confirm full compliance

Analysis of audit activity to date confirms that 63% of the revised 2011/12 audit plan is complete or work in progress.

5 Rolling work programme

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
<u>2010/11 Audit Plan</u>					
VAT Accounting	✓	✓	✓	✓	20/04/11
Section 106 agreements	✓	✓	✓	✓	23/05/11
Intermediate Care	✓	✓	✓	✓	23/05/11
Provider Services	✓	✓	✓	✓	23/05/11
Customer services	✓	✓	✓	✓	20/07/11
IS security management	✓	✓	✓	✓	20/07/11
IS strategy and service delivery	✓	✓	✓	✓	20/07/11
Internet/e-mail	✓	✓	✓	✓	20/07/11
Highways futures	✓	✓	✓	✓	28/07/11

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Across School Thematic	✓	✓	✓	✓	29/07/11
School admissions	✓	✓	✓	✓	19/08/11
Project management	✓	✓	✓	✓	26/08/11
Cash collection and banking	✓	✓	✓	✓	17/10/11
Joint Commissioning Standards	✓	✓	✓	✓	09/09/11
Sholing Technology College	✓	✓	✓	✓	28/10/11
Strategic service partnership	✓	✓	✓	✓	
Housing Management	✓	✓	✓	✓	
2011/12 Audit Plan					
Annual Governance Statement	✓	✓	✓	✓	26/05/11
Compliance with Health and Safety Legislation	✓	✓	✓	✓	01/07/11

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Hampshire Camera Partnership	-	✓	✓	✓	29 /07/11
Solent Sea Rescue	-	✓	✓	✓	29/07/11
Asset management	✓	✓	✓	✓	27/08/11
General School Review – Sinclair Primary School	✓	✓	✓	✓	17/10/11
Itchen Bridge (Industrial Action)	✓	✓	✓	✓	17/10/11
Repairs and Maintenance	✓	✓	✓	✓	07/10/11
Grants to Voluntary Organisations	✓	✓	✓	✓	18/10/11
Street Lighting PFI	✓	✓	✓	✓	03/11/11
Libraries	✓	✓	✓	✓	11/11/11
Sustainability (Carbon Reduction)	-	✓	✓	-	-
Heating Charges	-	✓	✓	-	-

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Licensing	✓	✓	✓	✓	
Debtors	✓	✓	✓	✓	
Council Tax	✓	✓	✓	✓	
NNDR	✓	✓	✓	✓	
Teachers Pension	✓	✓	✓		
Parking Services and City Patrol	✓	✓	✓		
Creditors	✓	✓	✓		
Pupil Support Services (PRU)	✓	✓	✓		
Day Services Thematic Review	✓	✓	✓		
National Fraud Initiative	✓	✓			
European Funded Projects	-	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Locality Teams	✓	✓			
Housing and Council tax Benefits	✓	✓			
Treasury and Cash Flow Management	✓	✓			
Payroll	✓	✓			
Housing Rent Collection and Debt Collection	✓	✓			
Play scheme grant	-	✓			
Main Accounting System	✓				
Direct Payments	✓				
Information Governance	✓				
Safeguarding - Adoption and Fostering					
Plus You Limited (Succession Strategy)					

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued <i>(proposed)</i>
Repairs and Maintenance - Housing					
Corporate Communications and Marketing					
Environmental Health					
National Fraud Initiative					
Efficiency Programme					
Human Resources					
Precautions against fraud					
Sports and Recreation Partnership					
Procurement					
Highways Futures					
Across School thematic review					

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Financial Management					
Joint Commissioning					
Corporate Business Continuity and Emergency Planning					
Provider Services					
General School Review - Harefield					
General School Review - Redbridge Community					
General School Review - St Monica Infant School					
Strategic Services Partnership					
PUSH					
Consultancy					
Partnerships and Shared Services	✓	✓			

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued (proposed)
Sea City Museum	-	✓			
Southampton New Arts Centre	-	✓			
Town Depot Relocation	-	✓	✓		
Putting People First	-	✓			