

SUBJECT:	Internal Audit: Status of Work
MEETING:	Audit Committee
DATE OF MEETING:	25 November 2008
REPORT OF:	Chief Internal Auditor
REPORT DATE:	7 November 2008

1 Internal audit report opinion definitions:

Opinion	Framework of governance, risk management and management control	Risk to achievement of management's objectives
Substantial assurance [G]	Basically a sound framework in place that is operating effectively however some non-critical weaknesses or immaterial evidence of inconsistent application of the framework may have been identified.	Some risk beyond accepted parameters that all objectives may not be fully achieved.
Limited assurance [A]	Critical weakness(es) identified within the framework or significant evidence of inconsistent application.	Risks may not be clearly defined and/or may fall outside accepted parameters. One or more important objectives are unlikely to be achieved.
No assurance [R]	Fundamental weaknesses have been identified or the framework is ineffective or absent.	Failure to recognise and manage risks effectively. A real and substantial risk of failure to achieve management's objectives.
Closed [X]	Management has confirmed that all identified framework weaknesses have been appropriately addressed.	Management considers risks to achievement of stated objectives to fall within accepted parameters.

2 Status of 'live' reports:

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
ITS Backup and Disaster Recovery	22/06/06	Head of IT	Resources	A	G	G	G	G	G	39 (8)	1 (0)
Client Money Service	04/05/07	Executive Director	Communities Health and Care	A	A	G	G	G	G	12 (10)	1 (1)
Debtors	29/05/07	Head of Transactions	Resources	G	G	G	G	G	G	14 (0)	5 (0)
Partnership Working Arrangements	15/06/07	Chief Executive	Cross-cutting	G	G	G	G	G	X	6 (0)	0
Ensuring System Security	06/07/07	Head of IT	Resources	A	A	A	A	A	G	33 (11)	5 (0)
ICT Strategy	29/08/07	Head of IT	Resources	A	A	A	G	G	G	5 (1)	1 (0)
Project management on funded projects	27/11/07	Executive Director	Communities Health and Care		A	A	A	G	G	15 (9)	1 (1)

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
Decent Homes Transformational Programme	25/01/08	Head of Decent Homes	Neighbourhoods			A	A	A	G	20 (7)	4 (0)
Domiciliary Care	25/01/08	Head of Health and Community Care	Communities Health and Care			A	G	G	G	3 (1)	1 (1)
Business Continuity Planning	13/02/08	Head of Communities and Regeneration	Communities Health and Care			G	G	G	G	10 (0)	4 (0)
Strategic Services Partnership	28/02/08	Executive Director of Resources	Resources			G	G	G	G	3 (1)	1 (1)
Compliance with Health and Safety Legislation	12/03/08	Executive Director of Resources	Resources				G	G	G	9 (0)	5 (0)
Payroll	17/03/08	Executive Director of Resources	Resources				G	G	G	6 (1)	6 (1)

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
School Admissions	17/03/08	Executive Director Children's Services and Learning	Children's Services and Learning				G	G	G	5 (2)	5 (2)
Partnership Agreements under the NHS Act 2006	28/03/08	Executive Director Communities Health and Care	Communities Health and Care				A	G	X	15 (14)	0
Fleet Transport	08/04/08	Executive Director of Environment	Environment				G	G	G	11 (0)	8 (0)
Data Management - Child Protection Records	15/04/08	Executive Director Children's Services and Learning	Children's Services and Learning				A	A	G	8 (6)	1 (1)
Licensing	16/04/08	Chief Executive	Legal and Democratic Services				A	G	G	13 (3)	2 (0)

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
Parking: Off and On Street	16/04/08	Executive Director of Environment	Environment				G	G	G	15 (4)	3 (0)
Receipt Management and Banking	07/05/08	Executive Director of Resources	Resources				G	G	G	5 (0)	2 (0)
Accommodation Strategy	16/05/08	Executive Director of Resources	Resources				A	A	A	3 (3)	3 (3)
Internet and Email	16/05/08	Executive Director of Resources	Resources				A	A	A	10 (3)	3 (3)
Local Taxation Services	06/06/08	Executive Director of Resources	Resources					G	G	6 (0)	2 (0)
Housing Rent Collection and Debt Collection	10/06/08	Executive Director of Resources	Resources					G	X	1 (0)	0

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
Application and Software Management	10/06/08	Executive Director of Resources	Resources					A	G	10 (3)	2 (1)
Network Management	10/06/08	Executive Director of Resources	Resources					A	G	19 (0)	5 (0)
Children and Young Peoples Plan / Children's Trust	12/06/08	Executive Director Children's Services and Learning	Children's Services and Learning					A	X	11 (3)	0
Housing and Council Tax Benefit Administration	13/06/08	Executive Director of Resources	Resources					G	G	6 (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	8 (4)	6 (2)

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
Direct Payments	19/06/08	Executive Director Communities Health and Care	Communities Health and Care					R	A	24 (24)	1 (1)
Creditors	19/06/08	Executive Director of Resources	Resources					G	X	4 (2)	0
Risk Management	01/07/08	Executive Director of Resources	Resources					G	G	2 (2)	2 (2)
Financial Management of Assets	03/07/08	Executive Director of Resources	Resources					A	G	9 (5)	1 (1)
Code of Conduct and Disciplinary Rules	24/07/08	Executive Director of Resources	Resources					A	A	17 (13)	17 (13)
Housing Needs	24/07/08	Executive Director of Neighbourhoods	Neighbourhoods					A	A	7 (6)	6 (6)

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
Affordable Housing	14/08/08	Executive Director of Neighbourhoods	Neighbourhoods					A	G	12 (4)	3 (0)
Adult Disability and Learning Disability Services	18/08/08	Executive Director Communities Health and Care	Communities Health and Care					A	G	3 (2)	1 (0)
Workforce planning	04/09/08	Executive Director of Resources	Resources					G	G	8 (0)	8 (0)
PWC Report – Health and Social Care Billing	06/06/08	Executive Director of Resources	Resources					R	R	36 (36)	10 (10)
Responsive Repairs	09/06/08	Executive Director of Neighbourhoods	Neighbourhoods					R	R	38 (38)	16 (16)
Town Depot Stores	05/09/08	Executive Director of Neighbourhoods	Neighbourhoods						A	11 (3)	11 (3)

Audit title	Report date	Audit Sponsor	Directorate	Opinion						Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008		
Itchen Bridge	16/09/08	Executive Director of Resources and Executive Director of Environment	Resources/Environment						A→G	4 (0)	1 (0)
Homelessness	14/11/08	Executive Director Neighbourhoods	Neighbourhoods						A	3 (2)	3 (2)
Capital Programme and Major Projects		Executive Director of Resources	Cross-cutting						A	TBA	TBA

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

Audit title: Town Depot Stores (05/09/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

In February 2008 the Head of Procurement reported to Cabinet non compliance with OJEU rules in relation to the purchase of stocks and stores. Management and Procurement have since taken action in relation to contractual arrangements for the supply of building products and cleaning materials. New procedures are to incorporate a policy enforcing the use of in-house stores for the provision of available materials for works.

There was an absence of segregation of duties in respect of stock write offs and stock checks. Additionally stock write offs are currently raised, processed and authorised by the Stores Buyers in respect of their own area of responsibility. Further, it was not possible to determine the level of write offs processed as there was no unique identifier within Agresso to identify write offs from routine stock issues.

Management actions and update since last report:

None

High priority actions overdue:

Introduction of independent stock checks (Sep 08)

Audit title: Itchen Bridge (16/09/08)**Original published audit opinion:** Limited Assurance [A]**Current audit opinion:** Substantial Assurance [G]**Executive summary:**

The traffic flow across the Itchen Bridge was effectively managed through staff rosters and the analysis of traffic flow data. There were effective controls in place with regard to the collection, recording and banking of income received from the tolls.

A Principal Structural Inspection was carried out on the Itchen Bridge by Gifford Consulting Ltd in October 2006. It stated that 'a number of significant defects had been highlighted which could have a major impact on the bridge deck and post tensions if not dealt with in the coming year (2007/08)'. The resulting emergency restructure work could subsequently result in estimated costs of between £10m and £20m.

Cabinet approved capital expenditure in June 2007 of £1,497,000 to address the maintenance issues. Work was planned to commence in 2007/08 but was postponed until 2008/09. There was further postponement of this work until 2009/10, due to delays with the Millbrook and Redbridge bearing replacement project.

A recommendation for the delivery of major bridge bearing replacement projects was presented to Cabinet by the Public Realm Manager for a decision on 29th September 2008. The report recommended approval of capital expenditure of £1.324m in 2008/09 and 2009/10 towards the reduced scheme for the Itchen Bridge bearing replacement.

Management actions and update since last report:

Risk assessments for the Cash Office staff have been completed.

A new spreadsheet has been implemented to include the Exchange Rate to better record Euros, taken, changed and paid in.

The practice of offering Euros to staff has ceased and Euros are now taken to the Post Office.

High priority actions overdue:

None.

Audit title: Homelessness (14/11/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

The Department for Communities and Local Government (DCLG) govern homelessness and provide funding for local authorities to reduce the number of people becoming homeless and to find alternative accommodation. The production of the returns required by the DCLG to ascertain funding to local authorities, could not be fully substantiated, as data from files reviewed was not evident on either i-World or the database retained locally, used as the reporting tools to produce the government return.

The current contract with Southampton Voluntary Services (Street Homeless Team) to assist the Homelessness Team in locating suitable accommodation for their clients is a continuation from the previous year. However, no evidence could be provided to demonstrate that a full tender procedure was followed for the original contract (or subsequent extension) or if an exemption had been granted in accordance with the councils Contract Procedure Rules.

Management actions and update since last report:

An appropriate action plan has been agreed with management

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

Audit title: Client Money Services (04/05/07)

Original published audit opinion: No Assurance [R]

Current audit opinion: Substantial Assurance [G]

Executive summary:

Client Money Services was introduced in 2004 to ensure finances for residents living in the Council's residential homes are managed in compliance with the National Minimum Standards for Care Homes. The Council administers bank accounts on behalf of 83 clients residing in Council homes and 168 clients in private homes. The balance of funds held in 2006 was around £666K.

Accounts for clients living in the Council's residential homes were found to be well managed, however, this was not the case in respect of accounts for clients within private homes, with no evidence of regular reconciliation to confirm that accounts were correct.

Further areas of concern were raised around the accuracy and completeness of client and the absence of key documents and parity between paper files retained and the Client Management System (Paris).

Management actions and update since last report:

The values within the holding accounts have now been identified and work is ongoing to assess the level of write off required. The value of cases where the Council is holding money for deceased clients has been reviewed and referred to the Treasury Solicitor.

High priority actions overdue:

Monies in the two holding accounts need to be fully assessed and resolved in order for all clients' accounts to be accurate. (April 07)

N.B. Exchequer Services are liaising with the Finance Systems Team to prepare a report which will be used for debt recovery or write off.

Audit title: Project management on funded projects (27/11/07)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Substantial Assurance [G]

Executive summary:

The projects reviewed were found to have been delivered on time and within budget. However, the audit identified a number of areas where the Council's policies, procedures and systems require review to provide consistent standards and a more robust framework for future project delivery:

- the Council's Contract Procedure Rules are ambiguous and open to interpretation;
- there is a duplication of accounting records for capital accounting and monitoring;
- internal recharging to project budgets is slow making it difficult to accurately monitor total project spend; and
- project documentation from feasibility, approval, through to conclusion was not readily available and could be held in a multitude of locations, particularly where work had been outsourced to consultants working on behalf of the Council, impacting on ability to ascertain physical and financial progress of works on a timely basis.

Management actions and update:

No update since last report.

High priority actions overdue:

Capita's Business Management System (BMS) will be rolled out in Southampton in the next 3 months. This requires clear procedures to be in place around the structure and retention of project documentation. Furthermore, information and files will either be held in the Council or Capita offices in Southampton, rather than with third party consultants. (Oct 07)

Audit title: Data Management - Child Protection Records (15/04/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

The Children and Families Division, as part of the Children's Services and Learning Directorate, are responsible for the management of the Child Protection Register. Changes introduced nationally signify the cessation of the register in April 2008 and replacement with Child Protection Plans.

The management of data pertaining to entries on the register was sound with management aware of divisional weaknesses and clear evidence that they are working to rectify them.

The Paris system is used to store data for all social service activities for children and adults. Protocols existed allowing system access for new users but it was found these were not consistently applied.

The deadline for the change from the Child Protection Register to Child Protection Plans (1 April 2008) would not be met as the software required would not be available until March 2008. The new software would require testing and could not be added to Paris at the end of the financial year due to the potential affect on close down and financial information stored within the system.

Management actions and update:

See below

High priority actions overdue:

Implementation of software to allow progression from the Child Protection Register to the Child Protection Plan (Jun 08)

N.B. All possible actions have been investigated; no further progress can be made to bring the implementation forward. DCSF is aware, and Southampton City Council is not alone in LAs unable to introduce ICS phase 1b by deadline. Social Work Practice will be in line with new requirements, but this will not be underpinned by the computer systems until ICS phase 1b is introduced in Summer 2008, for reasons described above. We will not therefore be ICS compliant until Summer 2009 but have ensured that manual systems are robust and effective in delivering the functions this module of ICS will cover.

Audit title: Accommodation Strategy (16/05/08)
Original published audit opinion: Limited Assurance [A] Current audit opinion: Limited Assurance [A]
Executive summary: <p>The revised accommodation strategy was approved by Cabinet (18 February 2008) and therefore the detailed programme of works was in its infancy and under development. The strategy set out accommodation moves in detail up to the end of April 2008 and included funding analysis and approval of the strategy life. The strategy is a complex chain of events encompassing three major complex projects. It is therefore essential that key decisions are made on time so the overall objective is achieved within the designated timeframe.</p> <p>It is important to note that the development of the programme of works was not given high priority as it was essential that the first phase (Workplace fast forward) was delivered on time as the resources working on both activities would be the same. Phase 1 also needed to be achieved to identify what funding and resources were required to achieve the next phase of the strategy.</p>
Management actions and update: None
High priority actions overdue: To produce and maintain a detailed programme of actions/projects to implement the strategy - (completed in draft) (May 08) To set up regular programme review meetings to monitor progress against the above and to take action where necessary. (June 08) Prepare a paper for COMT for agreement in principle: <ul style="list-style-type: none"> · commitment; · who will accommodate the buildings/offices. (July 08) N.B. Delays to implementation of management action due to a team restructure

Audit title: Internet and Email (16/05/08)**Original published audit opinion:** Limited Assurance [A]**Current audit opinion:** Limited Assurance [A]**Executive summary:**

On-going initiatives were in place to enhance the controls over the Internet and Email such as the recent IronMail health check and actions taken as a result, and a recent Exchange Server health check undertaken by Microsoft.

NETconsent is due to be implemented as a pilot during June 2008. If successful the software will be fully implemented in December 2008. This software will provide assurance that recipients have received, understood, and agreed to comply with any Council policy requirements.

Key risks to the achievement of managements objectives were identified as:

- the Council's outgoing email is not scanned for inappropriate wording or attachments;
- different versions of the standards appear in different sections on the Intranet;
- the Council's Internet and Email Policy is not sufficiently robust in certain areas; and
- the rules set for the Internet content filtering software could be enhanced;

Management actions and update:

Work is ongoing to address the management actions raised within the report. The actions are currently partially complete.

High priority actions overdue:

To assess the cost effectiveness of scanning all outgoing emails (July 08).

NB: It has been confirmed that it is possible to scan externally bound emails, however this is to be delayed until they have successfully tested the self release for incoming mail (Jan 09)

If outgoing mail is trapped, then a notification must be provided to the sender to give them the opportunity to reword any offending text that may have been inadvertently included (Jul 08)

IT Client to review the impact of scanning external mail, if it is decided to pursue the action, to establish the impact on the email services (Sep 08)

NB: To review practicalities to enable self release following review of self release for internally bound quarantined mail (Jan 09)

Audit title: Application and Software Management (10/06/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [G]

Executive summary:

The IT Development Group have carried out project management and systems development, focusing on the major projects and initiatives of the Council, performing detailed data and process engineering to maximise return on investment in new systems.

Areas of good practice identified during the audit included the use of PRINCE2 project management methodology; and the authorisation process for projects through the Council's Resources Board before they can proceed. In addition, licence agreements were in place for all applications reviewed.

Although there have been restores of PARIS (Health and Social Care System) and Agresso (Financial System) from backup media and ad hoc restores when difficulties have been encountered, in general there was a lack of systematic testing of restores of application servers. This did not give confidence that applications could be recovered within an acceptable timescale.

Management actions and update:

Work continues to address the management actions raised within the audit report. The outstanding action plans are currently partially completed.

High priority actions overdue:

The disaster recovery service will test system restoration as part of the acceptance testing for the projection implementation and thereafter on

an annual basis (Sep 08)

Audit title: Across Schools Thematic Review - Security (16/06/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

Head teachers had introduced controls and procedures to provide for a safe environment. Health and Safety guidelines could be routinely found around each of the schools visited and within documentation available to visitors and staff.

The Council had been working in partnership with local schools and Hampshire police on the Safe Schools Initiative. This initiative provides a methodology for schools to provide effective solutions to crime and disorder in and around schools.

There was no directive or consistency of approach regarding the use of CCTV as a security measure in schools. Some schools were not equipped with CCTV, with others having a varying number of cameras, with varying degrees of sophistication and functionality. Inconsistencies were further evident regarding recording, backup and retention policies.

There was uncertainty and inconsistency with regard requirements for the maintenance of a single central record of recruitment and vetting checks, particularly in relation to existing staff.

Schools did not request to see evidence of CRB checks performed on external contractors working on the school site. Reliance was placed on firms to ensure their staff had been appropriately checked. Such a request should be included within the contract of work for large jobs, however, it was identified that this was not the case for smaller works.

Management actions and update:

The CRB database has now been updated and schools have received several communications regarding different aspects of CRB checks, both through half termly Headteacher Newsletters and communications direct from HR.

All schools have been asked to respond to a questionnaire regarding Lone Working procedures sent by Andrew Hind and to send their policy statements in. These are currently being processed.

High priority actions overdue:

As per Children Services and Learning Management team meeting (21st May 2008), policies relating to CCTV within schools is to be reviewed (Jun 08).

As per Children Services and Learning management team meeting (21 May 2008) the requirement for risk assessments within schools to be reviewed to ensure a consistent approach is adopted (Jun 08)

Audit title: Direct Payments (19/06/08)

Original published audit opinion: No Assurance [R]

Current audit opinion: Limited Assurance [A]

Executive summary:

The scheme encouraging Councils to offer direct payments to disabled clients was introduced nationally in 1996; prior to this Southampton City Council had run a similar local scheme. The Community Care, Services for Carers and Children's Services Regulations 2003 made it statutory for Councils to offer direct payments to clients requiring community care.

The scheme was being delivered contrary to statutory guidance contained within the Fair Charging Policy. Clients were financially assessed to qualify for help with any other type of domiciliary care but not to receive direct payments. This was identified in a Cabinet report in 2005 but to date has not been rectified. The Council was therefore at increased risk of legal challenge to the way the scheme is operated.

There were weaknesses throughout the process for delivering direct payments. Management have already recognised that improvements were required and plans were in place for the implementation of improvements which are fundamental to the delivery of the "In Control" project. Progress in delivering these improvements has, however, been delayed and control weaknesses remain.

Advice and support was offered to clients by an independent group, Southampton Centre for Independent Living. An annual payment is made by the Council for this service and additional funding to support independent living. The contract that was in place expired in March 2005; however payment had continued in breach of the Council's contract procedure rules. A new contract for provision of support and advice to people undertaking Direct Payments was to be put out to tender by the end of May with the aim to award a contract by October 2008.

Management actions and update:

The financial modelling was completed in August 2008 and the options considered by Jane Brentor, Head of Service for a consistent rate per hour to be set.

Procedures have been reviewed.

Information requirements have been established for Creditors, PARIS, Brokerage and these are followed

The intranet has been updated with the Direct Payments information.

The contract for the provision of support and advice to people undertaking Direct Payments commenced October 2008.

High priority actions overdue:

Charging will take place with the provision of a net payment to all Direct Payment users (Jul 08)

NB: To minimise unnecessary customer distress and uncertainty the implementation of net payment of Direct Payments is to be undertaken at the start of the new financial year in line with the new charging policy. (Apr 09).

Audit title: Financial Management of Assets (03/07/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

The reconciliation process in place for the disposals of assets was robust. The Accounting Policies of the Council were consistently used in reporting the assets on the Council's annual Financial Statement of Accounts.

The valuation process for the Council's non-housing assets was consistent and maintenance requirements of the Council's assets were regularly and effectively monitored.

The Housing Price Index information for Southampton area indicated that the value of housing properties for the financial year 2006/07 was enhanced between 6% and 7%, however, the Financial Statement for 2006/07 stated that the index used to enhance the value was 8.87%. The effect of this was an over-enhancement of between £15 million and £18 million. This issue has been addressed by management and the actions agreed have been implemented.

Management actions and update:

No update to report.

High priority actions overdue:

An automated monitoring spreadsheet will be developed to show commitments on Repairs and Maintenance plans, order numbers and when the work would be done. This will help to identify and monitor commitments by month (Aug 08).

NB: Work is in progress. The Agresso team are producing a report to enable reports to be run directly from the Council Financial system.

Audit title: Code of Conduct and Disciplinary Rules (24/07/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

The Council was reviewing its policy on disciplinary procedures with the aim to being less 'risk adverse'; steps to resolve an issue should be

taken early in the process rather than incur costs through long term suspensions.

The document 'Code of Conduct and Disciplinary Rules' was adequate. The Code outlined what conduct is expected of employees of the Council and provides links to Corporate Policies. The Code of Conduct for schools was however in need of updating.

Communication of the Code to staff (new, existing and temporary) was inconsistent. There was no robust system in place for recording acknowledgement of receipt and understanding of the Code by staff.

Management actions and update:

No update to report

High priority actions overdue:

Review Code of Conduct for schools ensuring it is in chronological order, defines employee obligations and disciplinary steps (Sep 08)

Ensure Code of Conduct for Schools reflects the professional standards for teachers and safeguarding of children (Sep 08)

Ensure Code of Conduct/Disciplinary Rules are listed on 'Important Things to Know' and Induction Checklist for Managers (Sep 08)

Include reference to the Code of Conduct in People Management Charter (PMC) guidelines to induction (Jul 08)

Ensure PMC induction checklist reflects online induction (Sep 08)

Date and version control induction documentation (Oct 08)

Letters to be sent to all new starters by HR via appropriate manager, it will be clearly stated that the acknowledgement slip is to be returned to HR. The acknowledgement slip on the letter to new starters to include a return address, and addressee with location. A record is to be maintained of letters sent to new starters with checks of non returns (Aug 08)

The temporary employee starter pack to reflect key policies as outlined in the starter letter sent to permanent employees, including the Code of Conduct and Offers of Hospitality and Gifts (Jul 08)

Temporary employees to be made aware of the council's policies, including disciplinary rules and procedures (Jul 08)

Audit title: Housing Needs (24/07/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

The Housing Advice Service (HAS), located within the Civic Centre, aims to deliver housing welfare benefits and related advice to those experiencing highest levels of deprivation. The Neighbourhood Advice Centre (NAC) is located in Derby Road and delivers the same service as the HAS.

A restructure and review of the policies and procedures within the Housing Advice Service (HAS) was performed during 2007 by Housing Needs to ensure that an efficient and effective service was delivered.

The NAC was, however, identified by Senior Management as being at risk of not achieving its aims and objectives. This resulted in the Internal Audit review specifically looking at processes and procedures in operation at the NAC.

The processes followed at the NAC, for identifying customer needs to correctly allocate the query to an appropriate Housing Advisor was unstructured. A case management system (AIMS) had recently been implemented to replace manual system for recording cases and performance, however, was not used to create performance data or to perform trend analysis for either NAC or HAS.

The NAC building was underutilised. Areas of the building were also used by external agencies; however, there were no service level agreements, partnership agreements or other formal contracts with those agencies setting out terms and conditions of use. No contribution was made to the Council for the use of the building or associated costs.

Management actions and update:

A decision is to be made to move the NAC to the Civic Centre to centralise the service delivery.

High priority actions overdue:

Reports for performance management purposes run from AIMS system to be developed now that system used by 3 advice teams. Awaiting IT progression of work to extend the use across all housing needs teams involved in homelessness prevention activity (Sep 08)

Audit title: PWC Report – Review of the Council’s Health and Care Charging Policy for Non Residential Care Services

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

Southampton City Council had sought to interpret the Governments fairer charging policy guidance and identify an appropriate approach for service users in its area. However considerable problems were experienced which involved significant costs in resources as well as delays in collecting income, due to the timelines of financial assessments and reputation to the Council.

Many of the issues identified in implementing the charging policy have been addressed at a corporate level through the establishment of a new approach and framework for programme and project management. What was clear however was that the project to introduce the new H & SC charging policy commenced before this framework was clearly defined and introduced and that no retrospective actions were taken to ensure the defined project framework was robustly applied as the project continued

Management actions and update since last report:

Since the issuing of the PWC report, the Executive Director of Resources has implemented a working group to ensure that all actions identified within the audit report have been addressed. The working group are currently progressing the actions raised and continue to develop the system to be used for non residential client’s bills. A revised charging policy has also under review and to be implemented in due course.

High priority actions overdue:

All users of non residential social care supported financially by Southampton City Council will be financially assessed by the FAB Team (Sep 08)

Audit title: Responsive Repairs (IR0704)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

The review identified a fundamental lack of management control and widespread disregard of public procurement regulations and contract and financial procedure rules with regard to responsive repairs:

1. **Non-compliant procurement arrangements** - reported to Cabinet (18 February 2008) by the Head of Procurement. Cabinet approved the continued use of existing supply arrangements for all essential requirements which could not reasonably be deferred until Property Services and Procurement had appropriate compliant frameworks/contracts in place. .
2. **Framework agreements** - the agreement was not being operated as intended and performance and financial management data was not available to enable value for money to be measured over the duration of the contract. Further, the agreement was being used as a basis to procure services, falling outside the scope of the framework agreement.
3. **Selection of contractors** - it was not possible to identify why, when or by whom they were introduced to the authority. There were no formally "approved lists" of contractors in place. There were no defined processes in place for the introduction and vetting of new contractors and therefore no formal assessment of financial and technical competence. No defined process was being followed for the selection of a contractor to quote for a particular need.
4. **Managing repairs work** - there were no project or job files held for works rendering it practically impossible to review end-to-end documentation for a repair. There was an absence of overview or accountability for delivery of a project or job and it was not possible to determine on what basis decisions to approve were being made.

No formal process was being followed for receiving quotations and it was not possible to locate quotations relating to the majority of the jobs reviewed.

Purchase orders were often placed only after work had been completed and the supplier's invoice received, circumventing any controls on

prior approval of works by an appropriately authorised individual. Purchase orders frequently carried no or “nominal” financial commitment, effectively providing a supplier with an “open ended” order in the absence of an accepted quotation, schedule of rates or order with financial commitment.

Evidence of inspection or quality control of works completed by external contractors was absent, as were records to support agreement of additional works, variations or extensions of time or identification of contractors’ liability for defects.

5. Financial performance monitoring - financial management information was based on “average cost” per job. Commitments were not used within this calculation or any other financial reporting as they were “unreliable”; therefore, financial management information was incomplete. There was no evidence of any comparison undertaken of estimated or quoted job cost against actual cost to determine value for money.

Management actions and update since last report:

An action plan has been produced to address the management issues identified and is owned by the Executive Director, Neighbourhoods and the Head of Decent Homes. Significant progress has already been made. Internal audit will continue to monitor progress until such a time as assurance can be given that the situation has been satisfactorily addressed.

High priority actions overdue:

Immediate and interim arrangements to regularise the current position must be implemented as a matter of urgency (Jun 08)

A project must be set up, in accordance with the Council’s Project Management Guidelines, to include a robust project plan that will ensure compliance (Jun 08)

Interim measures must be taken to enable the Council to demonstrate that contractors in use have been selected on a fair, objective, rational and transparent basis. This must be delivered through a ‘High-value transactions’ procurement exercise in accordance with the Council’s Contract Procedure Rules Sep 08)

Suppliers must be reviewed for appropriateness, based on an assessment of the viability and competence of the contractors, to include financial stability, technical experience and competence and evidence of past performance (Jun 08)

An appropriate form of contract must be put in place for all future works (Jun 08)

A legal and procurement review and assessment of the nature and use of the existing call-off framework agreement must be undertaken to determine whether it is fit for purpose and meets procurement regulations (Jul 08)

The call-off framework agreement must be used in accordance with OGC Guidance on Framework Agreements and with the Council’s CPRs in

that a mini-competition must be conducted with quotations invited from capable suppliers for all relevant requirements (Jun 08)

Audit title: Responsive Repairs (IR0705)

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

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

Executive summary:

The review identified inadequacies in management controls, including poor security at the depot and weak purchasing and supervisory controls. ,

Key control issues were identified as follows:

1. **Obtaining, ordering and paying for stock** - Tradesmen are not obliged to source stock from Council stores and may obtain it directly from external suppliers. There was inadequate control over purchases via external suppliers and no mechanism for determining value for money for such transactions. Purchase orders frequently carried no or “nominal” financial commitment, effectively providing a supplier with an “open ended” order. Purchase orders carried insufficient detail to enable identification of the stock/ materials supplied.
2. **Performance management and monitoring** - There was insufficient knowledge and understanding by supervisory staff on the use of Council systems to determine and control actual job costs.
3. **Stock control** - Significant levels of stock were held in tradesmen’s vans with no evidence of any stock checks being undertaken. Physical security of storerooms was inadequate and again, not all stock was properly recorded or controlled.

Management actions and update since last report:

An appropriate action plan has been agreed with management

5 Internal Audit Performance

The internal audit action plan to ensure compliance with CIPFA Code of Practice for Internal Audit is broadly complete with the exception of the following items:

- Review partnership agreements currently in place to identify whether they include protocols for assurances and access rights, and update agreements as necessary;
- Finalise the memorandum of understanding with the PCT to enable reliance to be placed on assurance provided by other auditors.

6 Planning and Resourcing

The team continues to carry a 15% shortfall (2 fte) in current resource needs. Supplementary resources will be bought in to provide IT expertise for approved reviews detailed within the 2008/09 audit plan.

Sarah Dennis was seconded to the Transformation Team with effect from 1st October 2008 for a period of 6-12 months. Neil Pitman will lead the service in the interim.

The service has been tasked with delivering an efficiency saving of £70k for 2009/10. Such a target must inevitably impact on staff resources. Efficiency proposals will result in a reduction of around 4.5 FTEs from across the current approved staffing structure, of which vacancies currently account for 2 FTEs.

7 Rolling work programme

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
<u>2007/08 Audit Plan</u>					
Local Taxation Services	✓	✓	✓	✓	06/06/08
Network Management	✓	✓	✓	✓	10/06/08
Application and Software Management	✓	✓	✓	✓	10/06/08
Housing Rents and Debt Collection	✓	✓	✓	✓	10/06/08
Children & Young Peoples Plan / Children Trust	✓	✓	✓	✓	12/06/08
Housing and Council Tax Benefit Administration	✓	✓	✓	✓	13/06/08
Across Schools Thematic Reviews – Security	✓	✓	✓	✓	16/06/08
Direct Payments	✓	✓	✓	✓	19/06/08
Creditors	✓	✓	✓	✓	19/06/08

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Risk Management	✓	✓	✓	✓	01/07/08
Financial management of Assets	✓	✓	✓	✓	03/07/08
Joint Area Review	✓	✓	✓	✓	08/07/08
Code of Conduct	✓	✓	✓	✓	24/07/08
Housing Needs	✓	✓	✓	✓	24/07/08
Affordable Housing Development	✓	✓	✓	✓	14/08/08
Adult Disability Services / Learning Disability Services	✓	✓	✓	✓	18/08/08
Workforce Planning	✓	✓	✓	✓	04/09/08
Town Depot	✓	✓	✓	✓	05/09/08
Debtors	✓	✓	✓	✓	
<u>2008/09 Audit Plan</u>					
Homelessness	✓	✓	✓	✓	14/11/08

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Hampshire Camera Partnership	✓	✓	✓	✓	16/06/08
Solent Sea Rescue	✓	✓	✓	✓	12/08/08
Itchen Bridge	✓	✓	✓	✓	19/09/08
SIC/ Annual governance statement	✓	✓	✓	✓	02/06/08
Capital Programme Management	✓	✓	✓	✓	
Local and Multi Area Agreement	✓	✓	✓	✓	
Procurement	✓	✓	✓	✓	
Learning Futures Transformational Programme	✓	✓	✓	✓	
Expenses Management	✓	✓	✓	✓	
VAT Accounting	✓	✓	✓	✓	
Section 106 Agreements	✓	✓	✓	✓	
Holy Family RC Primary School	✓	✓	✓	✓	

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Waste Collection Services	✓	✓	✓		
Mental Health and Substance Misuse Services	✓	✓	✓		
Local Land Charges	✓	✓	✓		
Public Transport and Concessionary Fares	✓	✓	✓		
Development Control	✓	✓	✓		
Woodmill	✓	✓	✓		
Creditors	✓	✓	✓		
Registration Services	✓	✓	✓		
Corporate governance framework	✓	✓	✓		
Main Accounting System	✓	✓			
Schools PFI Contract Management	✓	✓			
Contract Management	✓	✓			

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Home Improvement Loans	✓	✓			
Environmental Health	✓	✓			
Housing rent collection and debt management	✓	✓			
Housing and Council tax benefits administration	✓	✓			
School thematic review	✓	✓			
Customer Services	✓	✓			
Council tax	✓	✓			
Housing rent collection and debt management	✓	✓			
Libraries	✓				
Sports and recreation venues	✓				
Flexible Working Programme	✓				
Street Cleansing	✓				

Audit title	Audit stage				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Cash Collection and Banking	✓				
Debtors	✓				
Financial Management Standards in Schools	5 of 34 complete				