

ITEM NO: 9 APPENDIX 1

SUBJECT:	Internal Audit: Status of Work
MEETING:	Audit Committee
DATE OF MEETING:	19 March 2009
REPORT OF:	Chief Internal Auditor (Acting)
REPORT DATE:	16 February 2009

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.

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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	Feb 2009		
ITS Backup and Disaster Recovery	22/06/06	Head of IT	Resources	A	G	G	G	G	G	X	39 (8)	0
Client Money Service	04/05/07	Executive Director Communities Health and Care	Communities Health and Care	A	A	G	G	G	G	G	12 (10)	1 (1)
Debtors	29/05/07	Head of Transactions	Resources	G	G	G	G	G	G	G	14 (0)	3 (0)
Ensuring System Security	06/07/07	Head of IT	Resources	A	A	A	A	A	G	G	33 (11)	3 (0)
ICT Strategy	29/08/07	Head of IT	Resources	A	A	A	G	G	G	X	5 (1)	0
Project management on funded projects	27/11/07	Executive Director	Communities Health and Care		A	A	A	G	G	X	15 (9)	0
Decent Homes Transformational Programme	25/01/08	Head of Decent Homes	Neighbourhoods			A	A	A	G	G	20 (7)	1 (0)
Domiciliary Care	25/01/08	Head of Health and Community Care	Communities Health and Care			A	G	G	G	X	3 (1)	0

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Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008	Feb 2009		
Business Continuity Planning	13/02/08	Head of Communities and Regeneration	Communities Health and Care			G	G	G	G	X	10 (0)	0
Strategic Services Partnership	28/02/08	Executive Director of Resources	Resources			G	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	G	9 (0)	5 (0)
Payroll	17/03/08	Executive Director of Resources	Resources				G	G	G	G	6 (1)	6 (1)
School Admissions	17/03/08	Executive Director Children's Services and Learning	Children's Services and Learning				G	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	X	15 (14)	0
Fleet Transport	08/04/08	Executive Director of Environment	Environment				G	G	G	G	11 (0)	6 (0)

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Audit title	Report date	Audit Sponsor	Directorate	Opinion							Original actions	Actions outstanding
				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008	Feb 2009		
Data Management - Child Protection Records	15/04/08	Executive Director Children's Services and Learning	Children's Services and Learning				A	A	G	G	8 (6)	1 (1)
Licensing	16/04/08	Chief Executive	Legal and Democratic Services				A	G	G	G	13 (3)	2 (0)
Parking: Off and On Street	16/04/08	Executive Director of Environment	Environment				G	G	G	G	15 (4)	2 (0)
Receipt Management and Banking	07/05/08	Executive Director of Resources	Resources				G	G	G	G	5 (0)	2 (0)
Accommodation Strategy	16/05/08	Executive Director of Resources	Resources				A	A	A	X	3 (3)	0
Internet and Email	16/05/08	Executive Director of Resources	Resources				A	A	A	A	10 (3)	3 (3)
Local Taxation Services	06/06/08	Executive Director of Resources	Resources					G	G	G	6 (0)	2 (0)

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				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008	Feb 2009		
PWC Report – Health and Social Care Billing	06/06/08	Executive Director of Resources	Resources					R	R	X	36 (36)	0
Responsive Repairs	09/06/08	Executive Director of Neighbourhoods	Neighbourhoods					R	R	G	38 (38)	2 (2)
Application and Software Management	10/06/08	Executive Director of Resources	Resources					A	G	G	10 (3)	2 (1)
Network Management	10/06/08	Executive Director of Resources	Resources					A	G	G	19 (0)	5 (0)
Housing and Council Tax Benefit Administration	13/06/08	Executive Director of Resources	Resources					G	G	X	6 (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	8 (4)	3 (1)
Direct Payments	19/06/08	Executive Director Communities Health and Care	Communities Health and Care					R	A	A	24 (24)	1 (1)

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				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008	Feb 2009		
Risk Management	01/07/08	Executive Director of Resources	Resources					G	G	G	2 (2)	2 (2)
Financial Management of Assets	03/07/08	Executive Director of Resources	Resources					A	G	X	9 (5)	0
Code of Conduct and Disciplinary Rules	24/07/08	Executive Director of Resources	Resources					A	A	A	17 (13)	15 (13)
Housing Needs	24/07/08	Executive Director of Neighbourhoods	Neighbourhoods					A	A	A	7 (6)	2 (1)
Affordable Housing	14/08/08	Executive Director of Neighbourhoods	Neighbourhoods					A	G	G	12 (4)	1 (0)
Adult Disability and Learning Disability Services	18/08/08	Executive Director Communities Health and Care	Communities Health and Care					A	G	X	3 (2)	0
Workforce planning	04/09/08	Executive Director of Resources	Resources					G	G	G	8 (0)	5 (0)

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				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008	Feb 2009		
Town Depot Stores	05/09/08	Executive Director of Neighbourhoods	Neighbourhoods						A	A	11 (3)	7 (1)
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 of Neighbourhoods	Neighbourhoods						A	X	3 (2)	0
Capital Programme and Major Projects	01/12/08	Executive Director of Resources	Cross-cutting					A	A	A	7(0)	7(0)
VAT	19/12/08	Executive Director of Resources	Resources							G	4(0)	2(0)
Procurement	15/12/08	Executive Director of Resources	Resources							A	21(8)	17(4)
Section 106 Agreements	26/01/09	Executive Director of Environment.	Environment							R	7(6)	7(6)

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				Aug 2007	Dec 2007	Feb 2008	May 2008	Aug 2008	Nov 2008	Feb 2009		
Concessionary Travel	03/02/09	Executive Director of Environment. Executive Director of Resources	Environment							A	4(2)	4(2)
Public Transport	04/02/09	Executive Director of Environment. Executive Director of Resources	Environment							A	5(2)	5(2)

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

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

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

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

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

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

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

Management actions and update since last report:

The Executive Director Resources has commissioned a fundamental review of project management which will address all management actions in response to audit observations, the phase 1 report is due in January and it is considered that implementation of any changes should be achieved by end July 2009. The July 2009 date will be subject to review following receipt of the Phase 1 report in Jan 2009.

High priority actions overdue:

None

Audit title: Procurement (15/12/08)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

Contract Procedure Rules (CPRs) and the improvement and updating of the Intranet and Internet sites had been delivered during the course of the audit review as part of the 'Procurement Development Plan'. Review however identified the following risks:

- Aggregation is not currently monitored against the requirements of the Public Contract Regulation 2006, leaving the authority exposed to the potential of inadvertent or intentional circumvention of regulatory requirements.
- Frameworks Agreements are of clear benefit and integral to future service delivery. Framework agreements are used to establish the terms governing contracts when the value cannot be determined. The official guidance for framework agreements provides discretion for operation to the Council, however, there was no corporate guidance for their establishment or management
- Orders raised on Agresso are used to make a financial commitment, instruct suppliers as to service requirements and issue terms and conditions. It was noted that orders were being issued with little detail and no or nominal value exposing the Council to the risk of non negotiated fees and incorrect budgetary information.

Management actions and update since last report:

Improvement to the PQQ process have been implemented to ensure appropriate and robust de-selection decisions are made

High priority actions overdue:

Net Consent to be explored as a method of raising management awareness of the Contract Procedure Rules including aggregation (Jan 09)

NB: Awaiting role out of Net Consent (May 09)

Through 'Category Management & Sourcing' Property Service must identify and deliver sourcing projects (in conjunction with client teams) to establish contracts for the aggregated demand of the Council (Jan 09)

To review the requirement for printing orders with a zero value and to develop a policy/procedure to address identified risks (Jan 09)

NB: ongoing liaison with services identified as printing orders with zero values (Mar 09)

Audit title: Section 106 agreements (26/01/09)

Original published audit opinion: No Assurance [A]

Current audit opinion: No Assurance [A]

Executive summary:

Formal debt recovery processes were not followed for the recovery of overdue section 106 contributions and therefore not reflected as a debtor in the Council's annual statement of accounts. At the time of the audit the value of overdue section 106 contributions was estimated at £2.3m in respect of Highways alone. Overdue contributions in respect of other key areas i.e. health, heritage, public realm, transportation, highways, Open Spaces and Affordable Housing had not been established.

There was a backlog of works within Highways and Transport relating to £2.7 million of contributions received, as at 30th June 2008. The Halcrow Group Limited (external consultant) were assessing the additional costs of carrying out agreed works to which contributions related. Of

the contributions reviewed by Halcrow it had been assessed that additional financing of £862k would be required to complete the works. Halcrow had also identified that approximately £885k was still held in relation to previously completed works (where the costs have not been allocated against the relevant contributions) and / or where works have been completed for less than the relevant contributions received. This money could not, however, be directly utilised to fund the 'shortfall' for other section 106 works in full. The Highways and Transport team was consulting with the Finance and Legal teams to identify an appropriate solution.

Management actions and update since last report:

An appropriate action plan has been agreed with management.

Audit title: Concessionary Travel (03/02/09)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

A spreadsheet , based on the Department of Transport Reimbursement Tool, had been provided to operators to aid in the calculation of concessionary fares reimbursements. 'Go Ahead' primarily ran cross boundary routes and installed software to analyse data from ticket machines, however, this did not conform to the spreadsheet format utilised by Southampton City Council and consequently payments were delayed. Further, there was uncertainty with regard the accuracy of the reimbursement calculation for generated journeys.

The Concessionary Bus Travel Act 2007 gave concessionary pass holders the right to free travel by bus anywhere within England from April 2008. Before this free travel was limited to the pass holder's local area. No data was available to analyse demand for travel within Southampton from concessionary pass holders outside of the Southampton district making it difficult to budget for 2008/09. It had been recognised there would be an overspend in 2008/09 and a contingent amount would be required from the Risk Fund, however, the value was unknown.

When the Concessionary Fares Scheme was introduced it was planned that all operators would have installed card reading software by 2009, however this is no longer achievable. Each operator had devised their own way of measuring the number of concessionary journeys undertaken; however, the Council had no assurance with regard to the integrity of the data received from service providers in respect of

concessionary journeys claimed. Submission of invoices from the bus companies was protracted and the procedure for payment complex.

Management actions and update since last report:

An appropriate action plan has been agreed with management.

Audit title: Public Transport (04/02/09)

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Limited Assurance [A]

Executive summary:

The public offer a valuable insight into the transport needs of the community. Surveys, questionnaires and user groups can be used to ascertain opinion. Although user groups exist they were either dormant or not well publicised and therefore did not encourage a balanced view of demand. City Web was not fully utilised as a source of information or to gauge opinion.

A review of the budget, in September 2008 and subsequent revisions of specific account codes have resulted in a number of errors. There was confusion with regard available grants and assurance could not be placed on the budgeted amounts allocated. A service review had overstated the amount of savings that could be realised.

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:

Resources remain focused on Health and Social Care billing.

Discussion are to take place with the Corporate Account Manager week commencing 23 February regarding progress of debt recovery work on CMS debts and if write off is required. Report to be submitted to the Executive Director of Resources.

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)

Audit title: Strategic Services Partnership (28/02/08)

Original published audit opinion: Substantial Assurance [G]

Current audit opinion: Substantial Assurance [G]

Executive summary:

Overall a sound governance and client structure had been established to support the Partnership Agreement and the process of monitoring Service delivery.

A clear and consistent approach had been followed to the identification and specification of in-scope Services supported by a system of quality control and period of due diligence.

A mechanism (Performance Payment Mechanism (PPM)) had been introduced to enable a consistent methodology to the payment of services rendered with a clear framework for escalation in the event of non-compliance. The PPM was reliant on a robust performance and data collection methodology, however 19% of KPIs across in-scope services had no defined effective date, which temporarily exposed the Council to financial and performance risk.

Contract negotiations had established targets and thresholds of both quantitative and qualitative performance measures. A sound framework for measuring and monitoring performance had been established with procedures to escalate under performance to an appropriate forum.

Targets had been set to achieve acceptable and often aspirational levels of performance. Generally thresholds had been set against baseline data, however this had not always been possible and in the absence of any tangible methodology professional judgement had been applied. Provision had been made within the Partnership Agreement in respect of going concern, escrow and security arrangements.

Management actions and update:

Final area outstanding in respect of management actions is HR for which targets have been documented and agreed by the Council and Capita. Currently going through commercial / contractual checks, to be signed off March 09

High priority actions overdue:

Arrangements are now largely in place to handle the baselining and setting of honeymoon periods where these are not already defined. A progress reporting template has been agreed at the Partnership Operations Group and this is monitored monthly. (Oct 08)

Audit title: Payroll (17/03/08)
Original published audit opinion: Substantial Assurance [G] Current audit opinion: Substantial Assurance [G]
Executive summary: The day to day management of the payroll processes were found to be satisfactory and working well. Inconsistencies were identified, however, relating to the profile of officers authorisation on ResourceLink. The profiling was not regularly reviewed to ensure that access to confidential and sensitive information was appropriate. It is essential that such accesses be reviewed on a regular basis to ensure that only current employees have access to the information.
Management actions and update: None
High priority actions overdue: The Profile file will be regularly reviewed to ensure access to Resourcelink is appropriate and up to date. A review of such accesses will also be performed to ensure they remain appropriate.

Audit title: School Admissions (17/03/08)
Original published audit opinion: Substantial Assurance [G] Current audit opinion: Substantial Assurance [G]
Executive summary: A small, but experienced admissions team, aided by the Tracking Officer, The Choice Advisor, and the SEN (Special Educational Needs) team ensured that the admissions process was correctly administered and applied. The team had recently undergone a restructure and the

Admission Manager's post was vacant.

The Tracking Officer was proactive in identifying children moving into and out of the area, and liaised with all interested parties to ensure identification and placement of children in schools. Inevitably some were missed, however with the current controls in place the risk is minimised.

Primary schools administered their own in year admissions. Secondary schools partially administered in year admissions, however where schools administered their own waiting lists and in year admissions there were no controls in place to ensure schools management was in accordance with the admissions policy and legislative requirements. This was of concern as the Interim Admissions Manager was not satisfied that schools fully understood admissions legislation and its principles, especially with regard to the equal preference system. Incorrect information could subsequently have been disseminated to parents/carers. The detail within the guidance notes issued to schools did not contain key information; e.g. the admissions policy.

The Council is responsible for ensuring that all schools' admissions policies within its authority are meeting legislative requirements. This also includes schools which are their own admissions authority; academies, and foundation status schools. Appropriate controls are therefore essential to monitor that the admissions policy is adhered to.

The appeals process was labour intensive; a proposed timetable and requirements had been outlined to ensure efficient planning and resourcing. This had not been implemented as the Admissions Manager's post was vacant.

Management actions and update:

Admissions Team has an officer on secondment from the Safeguarding Team. Secondment ends March 2009. Permanent arrangements to be made.

Not all schools on B2B system as there have been problems with the data transfer since September 2008. Academies are not required to give data.

High priority actions overdue:

The Choice Advisor will be pro-active in identifying vulnerable groups who are in danger of misunderstanding the admissions process and legislation, and take positive action. (AP1 (Oct 08))

The Admissions Forum Review of Admission Forum constitution took place on 22 January 2008 including a discussion of membership and

numbers needed for a quorate meeting. To be followed up with Legal. (AP1 (Jan 08))

All secondary schools to be on B2B (Business2Business) as soon as possible giving access to vital “real time” data such as the number of pupils on roll, leavers, pupils taken on etc. This will allow for up to date information to be available on school places and accurately communicated to parents/carers when applying for a mid year place. (AP2 (Apr 08))

Develop support packages in conjunction with the schools for difficult to place children, and school induction process. (AP2 - NB: IYFA Protocol being redrafted in light of new code and existence of Academies and Foundation school.)

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

Original published audit opinion: Limited Assurance [A]

Current audit opinion: Substantial Assurance [G]

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:

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 Integrated Children’s System (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. We will not therefore be ICS compliant until June 2009 but have ensured that manual systems are robust and effective in delivering the functions this module of ICS will cover.

High priority actions overdue:

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

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;
- the rules set for the Internet content filtering software could be enhanced; and

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).

N.B: Testing completed for Implementation of Self Release for incoming scanned mail as a pre - requisite to determining & informing projected impact on Service Desk. Implementation planned for mid March following communications to customers via weekly bulletin scheduled to start 18th Feb. Assessment of the impact during Feb & March to inform the impact of implementing scanning for outbound mail with self release. (April 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)

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

N.B: Planned to review jointly with Capita how appropriate it would be to enable self-release after reviewing the results of self-release for internally bound quarantined mail.

Audit title: Responsive Repairs (09/06/08)

Original published audit opinion: No Assurance [R]

Current audit opinion: Substantial Assurance [G]

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.

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:

Cabinet have agreed a report to enter into a compliant contract with Fusion 21 and Kinetic to provide a range of building services to SCC. Capita have also procured a range of frameworks contracts to enable compliant contracts to enable effective sub contracting by Building Works

Existing sub contractors have been evaluated. The number and frequency of use of sub contractors has reduced over the period of time since this report was issued

Officers have been given CPR briefings and Building Works have adopted their own tougher levels of compliance
Regular inspection of works carried out by subcontractors takes place during work being carried out and after the work has been completed
Commitment accounting has been put in place
All BW staff are aware of the Councils code of conduct and an internal register for declaration of interests has been introduced. Declaration of interests have been sent to staff and a process of introducing these every year has been set up at yearly appraisals

High priority actions overdue:

A standard format and filing system for project / job files must be established and files must be readily accessible to all relevant officers (Jun 08)

Inspection and quality check of works carried out by external contractors must be conducted and recorded on project / job files (Jun 08)

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:

None

High priority actions overdue:

The Disaster Recovery service will test system restoration as part of acceptance testing for the projection implementation and thereafter on an annual basis (Sep 08)

N.B: User acceptance testing is currently underway and is due to be completed by March 2009

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:

Regular liaison with Environment Directorate with regard traffic calming measures and new speed limits. Reflected in Highways Plans
Review of risk assessments within schools reviewed to ensure a consistent approach
Policies and procedures with regard to school access have been relayed to Head Teachers

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)

NB: a review has been commissioned on all aspects of CCTV to be completed by May 09

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:

None

High priority actions overdue:

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

NB: The implementation of paying Direct Payments net is being progressed. Currently systems are being developed by the Paris team to enable net payments to be made (*Apr 09*)

Audit title: Code of Conduct and Disciplinary Rules (24/07/08)
<p>Original published audit opinion: Limited Assurance [A] Current audit opinion: Limited Assurance [A]</p>
<p>Executive summary:</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>Management actions and update:</p> <p>Work continues to implement actions identified within the Internal Audit report. A number of the actions raised will be implemented with the introduction of the new Workforce Strategy. There is also a transformation review within the section which will further conclude a number of outstanding actions.</p> <p>Support is now being given to Managers with regards to the Code of Conduct and the new on line service has also supported this.</p>
<p>High priority actions overdue:</p> <p>Review Code of Conduct for schools ensuring it is in chronological order, defines employee obligations and disciplinary steps (Sep 08)</p> <p>Ensure Code of Conduct for Schools reflects the professional standards for teachers and safeguarding of children (Sep 08)</p> <p>Ensure Code of Conduct/Disciplinary Rules are listed on 'Important Things to Know' and Induction Checklist for Managers (Sep 08)</p>

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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)

Ensure consistency of documentation by reviewing the pack which is sent out aligning this to policies - guidance on the intranet to be updated and managers made aware via Weekly Bulletin and Team Brief (Nov 08) – *Due for completion Apr 09*

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) - *Due for completion Feb 09*

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) - *Due for completion Apr 09*

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:

All staff within Housing Needs have been set up to use AIMS, all prevention cases are loaded onto the system including the outreach cases.

High priority actions overdue:

Introduction of team briefing sessions with Housing Advice and NAC planned.

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 will further incorporate a policy enforcing the use of in-house stores for the provision of available materials for works.

Of the four key risks highlighted within this report, one has been classified as requiring a 'high priority' action.

There is an absence of segregation of duties in respect of stock write offs and stock checks.

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

Management actions and update since last report:

Reviewed minimum order levels and order points to ensure appropriate lead times.

Changes have been made to authorisation levels and personnel that are authorised to initiate orders have received Agresso training.

Enhancements to stock monitoring through the identification of 'issues' and internal movements through appropriate coding. Independent checks being carried out to identify stocks for write off during the year

Independent stock checks are being carried out

High priority actions overdue:

Improve management of stock write offs by defining write off levels and authorisations, utilising Agresso to enhance control over the authorisation of write offs (Aug 08)

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 item:

- Review partnership agreements currently in place to identify whether they include protocols for assurances and access rights, and update agreements as necessary;

6 Planning and Resourcing

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.

Efficiencies within the section have led to a restructure and the reduction of 4.5 FTE's of which vacancies account for 2 FTE's. The revised structure will take effect from 1 April 2009.

7 Rolling work programme

Audit title	Audit stage					
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Proposed Final report	Final report issued
<u>2007/08 Audit Plan</u>						
Local Taxation Services	✓	✓	✓	✓	-	06/06/08
Network Management	✓	✓	✓	✓	-	10/06/08

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Audit title	Audit stage					
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Proposed Final report	Final report issued
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
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

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Audit title	Audit stage					
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Proposed Final report	Final report issued
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	✓	✓	✓	✓	-	03/12/08
<u>2008/09 Audit Plan</u>						
SIC/ Annual governance statement	✓	✓	✓	✓	-	10/05/08
Hampshire Camera Partnership	✓	✓	✓	✓	-	16/06/08
Solent Sea Rescue	✓	✓	✓	✓	-	12/08/08
Itchen Bridge	✓	✓	✓	✓	-	19/09/08
Homelessness	✓	✓	✓	✓	-	14/11/08
Capital Programme Management	✓	✓	✓	✓	-	01/12/08

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Audit title	Audit stage					
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Proposed Final report	Final report issued
Procurement	✓	✓	✓	✓	-	15/12/08
VAT Accounting	✓	✓	✓	✓	-	19/12/08
Section 106 Agreements	✓	✓	✓	✓	-	26/01/09
NNDR	✓	✓	✓	✓	-	30/01/09
Concessionary Fares	✓	✓	✓	✓	-	03/02/09
Public transport	✓	✓	✓	✓	-	04/02/09
Cash Collection and Banking	✓	✓	✓	✓	-	04/02/09
Creditors	✓	✓	✓	✓	-	13/02/09
Local Land Charges	✓	✓	✓	✓	-	25/02/09
Holy Family RC Primary School	✓	✓	✓	✓		02/03/09
Local and Multi Area Agreement	✓	✓	✓	✓	20/03/09	
Expenses Management	✓	✓	✓	✓	20/03/09	

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Audit title	Audit stage					
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Proposed Final report	Final report issued
Waste Collection Services	✓	✓	✓	✓	03/04/09	
Mental Health and Substance Misuse Services	✓	✓	✓	✓	20/03/09	
Learning Futures Transformational Programme	✓	✓	✓	✓	13/03/09	
Contract Management	✓	✓	✓	✓	27/03/09	
Home Improvement Loans	✓	✓	✓	✓	27/03/09	
School thematic review	✓	✓	✓	✓	13/03/09	
Customer Services	✓	✓	✓	✓	27/03/09	
Corporate governance framework	✓	✓	✓	✓	13/03/09	
Woodmill	✓	✓	✓	✓	20/03/09	
Housing rent collection and debt management	✓	✓	✓	✓	20/03/09	
Housing and Council tax benefits administration	✓	✓	✓	✓	20/03/09	
Payroll	✓	✓	✓	✓	13/03/09	

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Audit title	Audit stage					
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Proposed Final report	Final report issued
Council tax	✓	✓	✓	✓	27/03/09	
Main Accounting System	✓	✓	✓	✓	13/03/09	
Registration Services	✓	✓	✓	✓	27/03/09	
Development Control	✓	✓	✓	✓	20/03/09	
Debtors	✓	✓	✓	✓	27/03/09	
Schools PFI Contract Management	✓	✓			03/04/09	
Environmental Health	✓	✓			17/04/09	
Sports and recreation venues	✓	✓			03/04/09	
Direct Payments (follow up)	✓	✓			03/04/09	
Libraries	✓	✓			17/04/09	
Street Cleansing	✓	✓			03/04/09	
Economic Development	✓	✓			17/04/09	

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Audit title	Audit stage					
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Proposed Final report	Final report issued
Major City Centre Developments	✓	✓			17/04/09	
North South Spine	✓	✓			17/04/09	
European Funding (3 projects)	✓	✓			03/04/09	
Housing repairs and adaptations	✓	✓			17/04/09	
Arts and heritage	✓	✓			24/04/09	
Private residential care	✓	✓			03/04/09	
Land and property management	✓	✓			17/04/09	
Leisure venues – alternative management- Transformational Project	✓	✓			17/04/09	
Corporate complaints	✓	✓			24/04/09	
Financial Management Standards in Schools	14 of 29 complete					