

Audit Committee

Tuesday, 6th December, 2011
at 6.00 pm
Conference Room 3 - Civic Centre

This meeting is open to the public

Members

Councillor Ball (Chair)
Councillor Mead (Vice-Chair)
Councillor Daunt
Councillor Fuller
Councillor Furnell
Councillor Kaur
Councillor Dr Paffey

Contacts

Democratic Support Officer:-
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Head of Legal and Democratic Services
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PUBLIC INFORMATION

Role of the Audit Committee

The Committee has responsibility for:-

- providing an independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment including (but not limited to) the reliability of the financial reporting process and the statement of internal control;
- satisfying and providing assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies; and
- specifically, the oversight of, and provision of assurance to the Standards and Governance Committee on, the following functions:-

- ensuring that Council assets are safeguarded;
- maintaining proper accounting records;
- ensuring the independence, objectivity and effectiveness of internal and external audit;
- the arrangements made for co-operation between internal and external audit and other review bodies;
- considering the reports of internal and external audit and other review and inspection bodies;
- the scope and effectiveness of the internal control systems established by management to identify, assess, manage and monitor financial and non-financial risks (including measures to protect against, detect and respond to fraud).

Southampton City Council's Seven Priorities

- More jobs for local people
- More local people who are well educated and skilled
- A better and safer place in which to live and invest
- Better protection for children and young people
- Support for the most vulnerable people and families
- Reducing health inequalities
- Reshaping the Council for the future

Public Representations

At the discretion of the Chair, members of the public may address the meeting about any report on the agenda for the meeting in which they have a relevant interest.

Smoking policy – the Council operates a no-smoking policy in all civic buildings.

Mobile Telephones – please turn off your mobile telephone whilst in the meeting.

Fire Procedure – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

Access – access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Dates of Meetings: Municipal Year 2010/11

2011	2012
23 June	23 April
22 September	
6 December	

CONDUCT OF MEETING

Terms of Reference

The terms of reference of the Audit Committee are contained in Article 8 and Part 3 (Schedule 2) of the Council's Constitution.

Business to be discussed

Only those items listed on the attached agenda may be considered at this meeting.

Rules of Procedure

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

Quorum

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

Disclosure of Interests

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "personal" or "prejudicial" interests they may have in relation to matters for consideration on this Agenda.

Personal Interests

A Member must regard himself or herself as having a personal interest in any matter

- (i) if the matter relates to an interest in the Member's register of interests; or
- (ii) if a decision upon a matter might reasonably be regarded as affecting to a greater extent than other Council Tax payers, ratepayers and inhabitants of the District, the wellbeing or financial position of himself or herself, a relative or a friend or:-
 - (a) any employment or business carried on by such person;
 - (b) any person who employs or has appointed such a person, any firm in which such a person is a partner, or any company of which such a person is a director;
 - (c) any corporate body in which such a person has a beneficial interest in a class of securities exceeding the nominal value of £5,000; or
 - (d) any body listed in Article 14(a) to (e) in which such a person holds a position of general control or management.

A Member must disclose a personal interest.

Continued/.....

Prejudicial Interests

Having identified a personal interest, a Member must consider whether a member of the public with knowledge of the relevant facts would reasonably think that the interest was so significant and particular that it could prejudice that Member's judgement of the public interest. If that is the case, the interest must be regarded as "prejudicial" and the Member must disclose the interest and withdraw from the meeting room during discussion on the item.

It should be noted that a prejudicial interest may apply to part or the whole of an item.

Where there are a series of inter-related financial or resource matters, with a limited resource available, under consideration a prejudicial interest in one matter relating to that resource may lead to a member being excluded from considering the other matters relating to that same limited resource.

There are some limited exceptions.

Note: Members are encouraged to seek advice from the Monitoring Officer or his staff in Democratic Services if they have any problems or concerns in relation to the above.

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

Agendas and papers are now available via Southampton Online at
www.southampton.gov.uk/council/meeting-papers

1 APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)

To note any changes in membership of the Committee made in accordance with Council Procedure Rule 4.3.

2 DECLARATIONS OF INTEREST

In accordance with the Local Government Act 2000, and the Council's Code of Conduct adopted on 16th May 2007, Members to declare any personal or prejudicial interests in any matter included on the agenda for this meeting.

NOTE: Members are required, where applicable, to complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer prior to the commencement of this meeting.

3 MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)

To approve and sign as a correct record the Minutes of the meeting held on 24th September and 10th December 2009, and to deal with any matters arising, attached.

4 STATEMENT FROM THE CHAIR

5 AUDIT COMMISSION: ANNUAL AUDIT LETTER 2010/11

Report of the Chief Internal Auditor detailing the Audit Commission: Annual Audit Letter 2010/11 presenting the results of the District Auditor's statutory audit of the Council's financial statements, attached.

6 AUDIT COMMISSION: AUDIT AND INSPECTION PROGRESS REPORT

Report of the Chief Internal Auditor detailing the Audit and Inspection Progress report, attached.

7 ANNUAL GOVERNANCE STATEMENT 2010/11: ACTION PLAN STATUS REPORT

Report of the Head of Finance detailing the Action Plan Status report, attached.

8 RISK MANAGEMENT ACTION PLAN 2011-12: STATUS REPORT

Report of the Head of Finance detailing the Risk Management Action Plan 2011-12, attached.

9 STRATEGIC RISK REGISTER - UPDATE

Report of the Head of Finance detailing the Strategic Risk Register, attached.

10 NATIONAL FRAUD INITIATIVE 2010-11

Report of the Chief Internal Auditor detailing the National Fraud Initiative 2010-11, attached.

11 INTERNAL AUDIT: PROGRESS REPORT NOVEMBER 2011

Report of the Chief Internal Auditor detailing the Internal Audit Progress Report for November, attached.

Monday, 28 November 2011

HEAD LEGAL AND DEMOCRATIC SERVICES

AUDIT COMMITTEE
MINUTES OF THE MEETING HELD ON 22 SEPTEMBER 2011

Present:

Members of the Council

Councillors Ball (Chair), Bogle, Daunt, Furnell and Dr Paffey

Apologies

Councillors Mead and Fuller

Also in attendance:

Kate Handy and Mike Bowers – Audit Commission

10. **MINUTES OF THE PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED that the Minutes of the meeting held on 23 June 2011 be approved and signed as a correct record. (Copy of the minutes circulated with the agenda and appended to the signed minutes).

11. **STATEMENT FROM THE CHAIR**

On behalf of the Committee, the Chair commended the work of both the external and internal Audit Teams and Treasury Management officers.

In addition, the Chair thanked Councillor Bogle who would be standing down for future meetings, for her work with the current and previous Audit Committees.

12. **STRATEGIC RISK REGISTER**

The Committee received and noted the report of the Director of Corporate Services detailing the Strategic Risk Register, associated Risk Management Action Plans and the Summary of Directorate Risk Registers. (Copy of the report circulated with the Agenda and appended to the signed minutes.)

13. **REVIEW OF PRUDENTIAL LIMITS AND TREASURY MANAGEMENT OUTTURN 2010/11**

The Committee received and noted the report of the Head of Finance (Chief Financial Officer) detailing the Treasury Management activities and performance for 2010/11 against the approved Prudential Indicators for External Debt and Treasury Management. (Copy of the report circulated with the Agenda and appended to the signed minutes.)

14. **TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL LIMITS MID YEAR REVIEW**

The Committee received and noted the report of the Head of Finance (Chief Financial Officer) detailing the Treasury Management Strategy and Prudential Limits Mid Year Review. (Copy of the report circulated with the Agenda and appended to the signed minutes.)

15. **STATEMENT OF ACCOUNTS 2010/11**

The Committee considered received and noted the report of the Head of Finance (Chief Financial Officer) detailing the Statement of Accounts for 2010/11. (Copy of the report circulated with the Agenda and appended to the signed minutes.)

RESOLVED that the Audit Committee recommend to the Standards and Governance Committee that the 2010/11 Statement of Accounts be approved.

16. **AUDIT COMMISSION: DRAFT ANNUAL GOVERNANCE REPORT 2010/11**

The Committee received and noted the report of the Chief Internal Auditor summarising the findings of the Audit Commission's 2010/11 draft Annual Governance Report. (Copy of the report circulated with the Agenda and appended to the signed minutes.)

17. **FUTURE OF LOCAL PUBLIC AUDIT - UPDATE**

The Committee received and noted the report of the Chief Internal Auditor providing an update on the Department for Communities and Local Government proposals for transferring the work of the Audit Commission's in-house audit practice to the private sector. (Copy of the report circulated with the Agenda and appended to the signed minutes.)

18. **INTERNAL AUDIT: STATUS OF WORK - AUGUST 2011**

The Committee received and noted the report of the Chief Internal Auditor detailing the Internal Audit Status of Work report for the period ending August 2011. (Copy of the report circulated with the Agenda and appended to the signed minutes.)

Agenda Item 5

DECISION-MAKER:	AUDIT COMMITTEE STANDARDS AND GOVERNANCE
SUBJECT:	AUDIT COMMISSION: ANNUAL AUDIT LETTER 2010/11
DATE OF DECISION:	06 DECEMBER 2011 13 DECEMBER 2011
REPORT OF:	CHIEF INTERNAL AUDITOR
STATEMENT OF CONFIDENTIALITY	
Not Applicable	

BRIEF SUMMARY

The Annual Audit Letter presents the results of the District Auditor's statutory audit of the Council's 2010/11 financial statements and the assessment of arrangements to achieve value for money in the Council's use of resources.

In accordance with Audit Commission guidelines a copy of the Annual Audit Letter was circulated to all Members by the 30 November 2011

The Annual Audit Letter is to be presented to those charged with governance but will not, as historically has been the case, be further presented to Full Council

RECOMMENDATIONS:

Audit Committee

- (i) That the Audit Committee notes the Annual Audit Letter 2010/11.

Standards and Governance Committee

- (i) That the Standards and Governance Committee note the Letter, make such comments as are appropriate / necessary and identify any issues they feel are worth exploring as set out in the 2011 Annual Audit Letter.

REASONS FOR REPORT RECOMMENDATIONS

Audit Committee

1. The Audit Committee's Terms of Reference require it to be satisfied and provide assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the external auditors. Specifically, the Committee has responsibility for oversight of the reports of external audit.

Standards and Governance Committee

2. Under the statutory Code of Audit Practice, the Audit Commission is required to issue a report to those charged with governance, summarising the conclusions from their audit work.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. None.

DETAIL (Including consultation carried out)

4. Under Regulation 27 of the Accounts and Audit (England) Regulations 2011 the Annual Audit letter must be published and copied to all Members of the Council.
5. The Annual Audit letter attached at Appendix 1 sets out the Audit Commission's conclusions and any significant issues arising from the audit of the Council's 2010/11 accounts as well as other external inspections carried out within the Council up to the end of December 2011.
6. It is acknowledged in the letter that the continuing economic downturn is likely to mean greater pressure on income streams and an increase in the demand for the Council's services.
7. The main challenges for the Council over the next twelve months include:
 - restructuring of the Council's workforce to improve the efficient working of the Council and reduce the number of senior management posts;
 - the delivery of the estates regeneration programme phases 2 and 3; and
 - joint commissioning with the Primary Care Trust for the commissioning of Adult Health and Social Care.
8. Other challenges the Council will face over the next few years, include:
 - changes proposed in the Government's Welfare Reform Bill, including new arrangements for housing and council tax benefits;
 - changes proposed in the Government's Localism bill, including new arrangements for funding social housing and for enabling local groups to take over community facilities and services; and
 - Government proposals to allow local authorities to retain business rates.
9. The Annual Audit Letter, as attached, has been discussed and agreed with the appropriate officers.

RESOURCE IMPLICATIONS

Capital/Revenue

10. None.

Property/Other

11. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

12. The duties and powers of auditors appointed by the Audit Commission are set out in the Local Government Act 1999.

Other Legal Implications:

13. None.

POLICY FRAMEWORK IMPLICATIONS

14. None.

AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
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KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Annual Audit Letter 2010/11
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Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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Annual Audit Letter

Southampton City Council

Audit 2010/11



Agenda Item 5

Appendix 1



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Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two parts:

- **the audit of your financial statements; and**
- **my assessment of your arrangements to achieve value for money in your use of resources.**

Parts of the audit	My findings
Unqualified audit opinion	✓
Proper arrangements to secure value for money	✓

Audit opinion and financial statements

I issued an unqualified opinion on the Council's financial statements on 28 September 2011.

The Council prepared its accounts against a background of the transition to IFRS accounting. As a result, officers were under greater pressure than in previous years. Despite this extra work your financial statements and supporting working papers were produced in line with agreed timetables and to a good standard.

Value for money

I issued an unqualified VFM Conclusion on 28 September 2011.

It has been another challenging year for the Council, in which you have responded positively to the challenge of continuing financial pressures and maintained your focus on delivering efficient and effective services.

My work in support of this conclusion showed the Council has used its effective budget setting and budgetary control arrangements to:

- manage its finances and to maintain reserves above the predetermined minimum level of £4.5 million;
- set out its medium term financial plan, identifying an initial £54.3 million funding shortfall over the three years to 2014/15. £16.4 million of this has so far been identified through efficiencies, savings, additional income and changes to the redundancy scheme; and
- outline plans for future savings amount to £9.9 million, leaving a remaining shortfall of £28 million.

You have also implemented a number of key strategic partnerships and delivered Phase 1 of your Estates Regeneration programme which are designed to improve still further your use of resources.

Current and future challenges

The government is continuing its policy of cutting public spending and the impact of this will continue to dominate the Council's agenda. Having based its 2011/12 budget on achieving £17.9 million of savings and drawing on reserves, the Council has identified the need to find another £54.3 million of savings over the next three years to keep its finances in balance. An initial savings programme has been established by the Council and reported to Cabinet in October 2011 but Members will need to address the remaining shortfall through the budget setting process. The continuing economic downturn is likely to mean greater pressure on income streams and an increase in the demand for the Council's services.

The main challenges for the Council over the next twelve months include:

- restructuring of the Council's workforce to improve the efficient working of the Council and reduce the number of senior management posts;
- the delivery of the estates regeneration programme phases 2 and 3; and
- joint commissioning with the Primary Care Trust for the commissioning of Adult Health and Social Care.

Other challenges the Council will face over the next few years, include:

- changes proposed in the government's Welfare Reform Bill, including new arrangements for housing and council tax benefits;
- changes proposed in the government's Localism bill, including new arrangements for funding social housing and for enabling local groups to take over community facilities and services; and
- government proposals to allow local authorities to retain business rates.

My work for the 2011/12 VFM conclusion will take account of how the Council is responding to these challenges.

Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

Overall conclusion from the audit

I issued an audit report including an unqualified opinion on the Council's financial statements on 28 September 2011. The Council completed the statements in line with the required timetable, even though they needed to comply with IFRS for the first time which put extra pressure on your staff. Despite this extra pressure your financial statements and supporting working papers were once again produced to a good standard.

Having recently issued my decision on an objection to your 2009/10 accounts about how the Council calculates heating charges to tenants and leaseholders, I have now certified completion of both the 2009/10 and 2010/11 audits.

Significant issues arising from the audit

The draft accounts presented for audit contained four errors above my materiality level of £13.5 million. There were seven other errors above £135k that I reported to the Standards and Governance Committee. All of these errors were corrected before I gave my opinion on the financial statements. None had any impact on the Council's reported net under spending for the year of £4.7 million.

I reported one other matter to the Standards and Governance Committee which was not material to my opinion. I disagreed with officers' interpretation of the disclosure required by Financial Reporting Standard 12 (Provisions, contingent liabilities and contingent assets) for the equal pay provision. My interpretation is the equal pay provision should have been recognised in the financial statements. While the provision was included in the Council's ledger it was not recognised in the financial statements. The Council chose not to disclose the information usually required to be shown within Statement of Accounts. The Monitoring Officer advised that to disclose the information would seriously prejudice the Council's position in ongoing litigation. The Council included this explanation in the financial statements. Members supported officers' decision and I accepted the explanations provided in the letter of representation.

I reviewed your Annual Governance Statement and confirmed it complied with CIPFA guidance and the content was consistent with my knowledge of the Council.

Significant weaknesses in internal control

The Council has a sound system of internal control. I have not identified any new significant weaknesses in internal controls that I need to bring to your attention arising from my 2010/11 audit.

Heating charges

Members will be aware that local government electors continue to raise queries with me over the way it operates the heating charges account. I have monitored the Council's progress in making the improvements in internal control I suggested in my 2009/10 annual audit letter. I have also considered further concerns raised with me by an elector during the year.

In my 2009/10 Annual Audit Letter, I urged the Council to:

- Review the accuracy of its database of electricity meters;
- Correct its accounts where any errors are identified;
- Set up a more effective database and system of controls; and
- Review the record of gas meters to discover if there are similar weaknesses in these records.

Accuracy of meter database

The Council has followed up on all the meters where the designation between heating and lighting was unconfirmed. In most cases the database has been confirmed as correct. In 32 cases the meter designations were incorrect and have now been amended. 40 meters on the database are still being investigated. The majority are being discussed with the suppliers to establish whether a refund is due for overcharged costs. Four are to be removed from the database, and the remainder still have their designation to be confirmed.

Correction of accounts

The Council has calculated the financial adjustments necessary for the 32 errors in the meter database and adjusted its accounts. The Council has also investigated some other errors identified by the elector and made appropriate amendments in its accounts where invoices were not allocated in accordance with the database of meters; where clerical errors resulted in incorrect allocation of invoices; and where heating charges for communal areas were incorrectly allocated.

Set up a more effective database and system of controls

The Council has implemented a new computer based meter record (System link) that is being evaluated through parallel running with the old meter record.

Gas meters

Gas meter designations are being confirmed as part of the annual gas servicing cycle.

Conclusion

The Council agreed to complete the work necessary to check the data on its meters and make any necessary financial adjustments to its accounts by December 2010. While it has taken longer than planned to do this, I am satisfied that progress is being made. The financial errors identified are not material to my opinion on the Council's financial statements. I have now certified completion of the 2009/10 and 2010/11 audits. I am grateful for the significant amount of work that Internal Audit has undertaken on my behalf which has minimised the cost of completing this work. In the current year I will continue to monitor the Council's progress in:

- Confirming the accuracy of its meter database;
- Correcting its accounts for any more errors identified; and
- Evaluating the effectiveness of the new "System link" meter record

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money. I assessed your performance against the two criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

The Council is addressing the weaknesses I have highlighted in previous years, although it still has more to do, particularly in closing the budget gap in its Medium Term Forecast. Even so, the Council's record of strong financial management and continuing improvement in performance in recent years gives me confidence that it will continue to address these issues. My overall conclusion is the Council has put in place proper arrangements to secure, economy, efficiency and effectiveness in its use of resources.

How I formed my value for money conclusion:

To form my view on the Council's arrangements, I planned a programme of VFM audit work based on my risk assessment. This included:

- capturing what I knew already from last year's work, the Audit Commission's VFM profiles, my continuing reviews of minutes and discussions with officers;
- considering how the Council is addressing issues I raised in my Annual Audit Letter last year, on the Council's progress with its savings plans, joint working with other public bodies, achievement of planned benefits from strategic contracts and the affordability of the planned capital programme; and
- considering risks that are common to some or all local authorities, including
 - the government's spending review;
 - preserving essential services and effectiveness with reduced funding;
 - the new public services transparency requirements; and
 - sector self-regulation and improvement.

My findings

I set out below my conclusions on each specified criterion.

Financial resilience

The Council has a track record of strong financial management, using its key priorities to drive the budget setting process. Effective budgetary control arrangements have enabled the Council to respond to planned and unexpected demands on resources and to maintain a prudent level of reserves. The Council responded promptly and decisively to the reduction in government funding, reviewing directorate plans and budgets to identify savings while seeking to maintain the level and standard of services.

Further key changes have been made for 2011/12 to address the financial pressures and worsening economic outlook. These include restructuring the Council and implementing changes to staff terms and conditions.

The organisational review is restructuring the Council into three core front line directorates, supported by a central core. The review is designed to improve the efficient working of the Council and the original estimate for savings is £1.5 million through the reduction of senior management posts and personal assistants /business support. The first phase of the restructure established a new 'Management Board of Directors' in April 2011. The number of directorates was reduced to 5, reducing the number of directors that are in post. There will be a further reduction by 2013 when the Children's Services and Learning Directorate will merge with the Health and Adult Social Care Directorate to form a new Families and Communities Directorate. The phase 2 consultation process ended in September 2011 and the appointment and appeals process will be concluded before the new structure is implemented in November 2011.

Changes have also been made to staff terms and conditions in 2011/12 to realise more than £5million in recurring savings. There was however a delay in implementation of the changes until 11 July 2011 which resulted in a £1.3 million reduction in planned savings in 2011/12. This shortfall is being met through other one-off sources.

Directorate savings plans for 2011/12 also include a significant number of redundancies. This level of redundancy might reduce the Council's capacity to effectively manage the delivery its services. In order to ensure that its current financial resilience is maintained, the Council will need to be alert to the emergence of potential financial risks from reduced staff capacity in key areas.

The Council has prepared a draft budget proposal for 2012/13 and a Medium Term Forecast up until 2014/15. These proposals were presented to Cabinet in October 2011 and will be used for the budget consultation process. The results of the consultation will be reported together with the Executive's final budget proposals in February 2012. The current plans have highlighted a cumulative shortfall in funding of £1.5 million in 2012/13 after the delivery of proposals for efficiencies totalling £9.1 million, additional income £0.8 million and service reductions £2.8 million. This £1.5 million budget gap in 2012/13 rises cumulatively in the Medium Term Forecast to £28 million by 2014/15.

There is still some way to go before the Council can be confident about the delivery of its savings programme. The October 2011 Cabinet report confirms that members will continue to explore opportunities for further savings and efficiencies during the budget setting process. This will include further developing initial 'future savings options' that have been included in the Medium Term Forecast that rise from £8.2 million in 2013/14 to more than £12 million in 2014/15.

I am satisfied that appropriate action is being taken to address the funding gap that has been identified through the Council's Medium Term Forecast.

Securing economy efficiency and effectiveness

Based on my previous years' work, there were three main areas where I judged that failure to take action could put at risk the Council's achievement of good value for money. These were the outsourcing of services through partnerships, estates regeneration and seeking more efficient ways of working in collaboration with the Primary Care Trust.

Partnerships

My work this year shows there have been significant developments through working with 'private sector partners' and that there were no issues arising from my work that impacted on my value for money conclusion. Key partnerships that have been implemented include the Highways Strategic Partnership, Street Lighting and Sport and Recreation.

Table 1: **Developing Partnerships in 2010/11**

The Council has implemented some key partnerships during 2010/11

Partnership	Findings
Highways strategic partnership	<p>Robust governance arrangements have been put in place to manage this contract through the Strategic Management Board. A review of these arrangements has been carried out in 2011/12 by Internal Audit and action is being taken by management to implement their recommendations for improvement.</p> <p>The benefits of the contract that have been realised in the first year of the contract have been assessed and reported by the Client Side Team. This recognised that while many of the benefits that were anticipated are being realised, there is still a lot to do in order to continue to improve the highways network and achieve the longer term benefits of the Partnership.</p>
Street Lighting PFI	<p>The Council has developed procedure notes and performance management arrangements to ensure that the contract is adequately managed. Risk management for the project is operated through the risk register which uses risk ratings to determine priorities.</p> <p>A benefits realisation report has been prepared and this demonstrates the Partnership's performance in its first year of operation, and anticipates further improvements as the contract progresses.</p>

Partnership**Findings**

Senior management is to review the staffing of the client side team to ensure it has sufficient capacity to manage the contract.

Sport and Recreation

The Council has contracted with Active Nation and DC Leisure for the management of its Municipal Golf Course and Leisure facilities. The procurement process met OJEU requirements and involved competitive discussions with bidders

Audit 2010/11

Estates regeneration

The Council's estate regeneration programme is a key component in delivering the city wide priority of sustained economic growth. It also contributes to its objective to deliver new homes and additional jobs. The Council has made significant progress through the delivery of its phase 1 £16 million pilot scheme at Hinkler Parade in 2010/11. The first sales of new homes have been made and retailers occupy three of the new retail outlets. The successful implementation of this pilot scheme has given the Council a good basis for planning implementation of the phase 2 schemes.

Collaboration with the Primary Care Trust

The Council and NHS Southampton City (NHSSC) have agreed to transfer the responsibility and funding for all aspects of health and social care for people with learning disabilities to the City Council, combining annual budgets of £62.7 million from the Council with £83 million from NHSSC. This includes specialist social care funding for people with learning disabilities and the social care resources being made available to the Council direct from the Department of Health from April 2011. The Council and NHSSC have put in place robust arrangements to manage the commissioning of Adult Health and Social Care. These arrangements are set out in a formal signed agreement that details the staffing structure and governance arrangements and that has been prepared using powers under Section 75 of the National Health Service Act 2006. The effectiveness of these arrangements will be reviewed by the Council during 2011/12 and I will revisit this area during my 2011/12 audit.

Closing remarks

I have discussed and agreed this letter with the Chief Executive, Director of Corporate Services and the Section 151 Officer. The letter will be sent to all members by 30 November 2011. I will present this letter to the Audit Committee and the Standards and Governance Committee at their respective meetings in December 2011.

I set out below, for information, the reports I have issued to the Council during the year.

Report	Date issued
Initial fee plan	April 2010
Certification of grant claims and returns	February 2011
Audit Plan	June 2011
Annual Governance Report (including audit opinion and VFM conclusion)	September 2011

The Council has taken a positive and constructive approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Kate Handy

District Auditor

November 2011

Appendix 1 - Fees

	Actual	Proposed	Variance
Audit fee	£350,400	£350,400	£0
Total	£350,400	£350,400	£0

Fees for electors questions on and objections to the Council's accounts

I have agreed with officers that I will separately invoice the Council for the fee for dealing with correspondence with local electors and objections to the accounts. At the end of October 2011 this amounted to £39,974 of which the Council has already paid £20,166.

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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- any director/member or officer in their individual capacity; or
- any third party.



Agenda Item 6

DECISION-MAKER:	AUDIT COMMITTEE
SUBJECT:	AUDIT COMMISSION: AUDIT AND INSPECTION PROGRESS REPORT
DATE OF DECISION:	06 DECEMBER 2011
REPORT OF:	CHIEF INTERNAL AUDITOR
STATEMENT OF CONFIDENTIALITY	
Not Applicable.	

BRIEF SUMMARY

The audit and inspection plan is based on the Audit Commission's risk-based approach to audit planning as set out in the Code of Audit Practice. An update on progress against the Plan(s) is attached as an appendix to this report.

RECOMMENDATIONS:

- (i) That the Audit Committee notes the Audit Commission's progress reports as attached.

REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee's Terms of Reference require it to be satisfied and provide assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the external auditors. Specifically, the Committee has responsibility for oversight of the reports of external audit.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None.

DETAIL (Including consultation carried out)

3. The following Audit Commission reports are attached for consideration in the appendix:
 - Progress report – November 2011

The external auditor will be in attendance at the Committee meeting to answer any questions.

The reports, as attached, have been discussed and agreed with the appropriate officers.

RESOURCE IMPLICATIONS

Capital/Revenue

4. None.

Property/Other

5. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6. The Accounts and Audit (England) Regulations 2011 require the Council to ‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.’

Other Legal Implications:

7. None.

POLICY FRAMEWORK IMPLICATIONS

8. None.

AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
	E-mail:	Neil.pitman@southampton.gov.uk		

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members’ Rooms and can be accessed on-line

Appendices

1.	Audit Commission: Progress report – November 2011
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Documents In Members’ Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.		
2.		

Progress

Report

Southampton City Council

Audit 2010/11 & 2011/12

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

Contents

Progress with 2010/11 audit.....	2
Progress with 2011/12 audit.....	4

Progress with 2010/11 audit

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
Audit plan 2010/11	Kate Handy	Audit Committee	June 2010	June 2010	The initial fee letter for 2010/11 was presented at the June 2010 meeting. A detailed opinion plan was discussed at the 23 June 2011 meeting of the Audit Committee.
Financial statements					
Interim audit memorandum (If appropriate)	Mike Bowers	Andrew Lowe	June 2011	N/A	The pre statements audit was completed. The issues arising were discussed with officers.
Annual Governance Report (ISA260)	Kate Handy	Standards and Governance Committee	September 2011	September 2011	The AGR was presented at the September meeting of the Audit Committee and Standards and Governance Committee.
Accounts opinion	Kate Handy	Standards and Governance Committee	September 2011	September 2011	An unqualified audit opinion was issued on 28 September 2011. I have now completed my review of the objection that had been raised on the 2009/10 financial statements in respect of tenants heating charges. I found that there were no items of account that were 'unlawful' and that there are no matters that I need to report in the public interest. I have issued the 2009/10 and 2010/11 audit closure certificate.

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
Final Accounts memorandum (If appropriate)	Mike Bowers	Andrew Lowe	October 2011	N/A	An exit meeting has been held with officers following the completion of the 2010/11 opinion audit. There are no further issues that we need to bring to members attention.
Value for money conclusion					
Value for money conclusion	Kate Handy	Standards and Governance Committee	September 2011	September 2011	An unqualified value for money conclusion was issued on 28 September 2011
Highways maintenance	Tim Thomas	Lorraine Brown	March 2011	June 2011	The findings from this audit were reported in June 2011 to the Audit Committee.
Certification of grant claims and returns					
Annual report	Mike Bowers	Andrew Lowe	March 2011	March 2011	The report was presented at the 17 March 2011 meeting of the Audit Committee.
Annual Audit Letter					
Annual Audit Letter	Kate Handy	Alistair Neill	November 2011	December 2011	The Annual Audit Letter was issued to members before the 30 November 2011, and will be presented to the Audit Committee and Standards and Governance Committee in December 2011.

Progress with 2011/12 audit

Report	AC key contact	Authority contact	Expected report	Reported to Audit Committee	Comment
Audit plan 2011/12	Kate Handy	Audit Committee	June 2011	June 2011	The initial fee letter for 2011/12 was presented to the audit committee in June 2011.
Financial statements					
Interim audit memorandum (If appropriate)	Mike Bowers	Andrew Lowe	June 2012		
Annual Governance Report (ISA260)	Kate Handy	Standards and Governance Committee	September 2012		
Accounts opinion	Kate Handy	Standards and Governance Committee	September 2012		
Final Accounts memorandum (If appropriate)	Mike Bowers	Andrew Lowe	October 2012		
Value for money conclusion					
Value for money conclusion	Kate Handy	Standards and Governance Committee	September 2012		
Certification of grant claims and returns					
Annual report	Mike Bowers	Andrew Lowe	March 2012		
Annual Audit Letter					
Annual Audit Letter	Kate Handy	Alistair Neill	October 2012		

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- any director/member or officer in their individual capacity; or
- any third party.



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November 2011

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DECISION-MAKER:	AUDIT COMMITTEE
SUBJECT:	ANNUAL GOVERNANCE STATEMENT 2010-11: ACTION PLAN STATUS REPORT
DATE OF DECISION:	6 DECEMBER 2011
REPORT OF:	HEAD OF FINANCE
STATEMENT OF CONFIDENTIALITY	
Not applicable.	

BRIEF SUMMARY

In accordance with the Accounts and Audit Regulations the Council is required to develop and publish an Annual Governance Statement ('AGS'). The AGS is a key corporate document and should provide an accurate representation of the corporate governance arrangements in place during the year and highlight those areas where gaps or improvements are required.

RECOMMENDATIONS:

- (i) To note the content of the AGS 2010-11 Action Plan Status document set out in the Appendix to this report.

REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee has responsibility to provide independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the annual governance statement. This responsibility extends to receiving assurance that the actions identified to address those areas where improvement is required are being satisfactorily progressed or implemented.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. No alternative options have been considered.

DETAIL (Including consultation carried out)

3. The updated Action Plan Status document has been developed in consultation with those 'lead officers' previously identified as being responsible for progressing the agreed actions.
4. The action plan provides information on the current status of the agreed actions.
5. The purpose of the AGS is to provide an accurate representation of the corporate governance arrangements in place during the year and to identify or highlight any areas where gaps or improvements are required. Although the AGS is published with the authority's financial statements it is concerned with the overall corporate governance arrangements and is not confined to financial issues.

RESOURCE IMPLICATIONS

Capital/Revenue

6. None.

Property/Other

7. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

8. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

9. None.

POLICY FRAMEWORK IMPLICATIONS

10. None.

AUTHOR:	Name:	Peter Rogers	Tel:	023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk		

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	n/a
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	AGS 2010-11 Action Plan Status Report
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Documents In Members' Rooms

1.	
2.	

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
--	----

Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s) Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	N/A	
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Annual Governance Statement 2010-11: Action plan

The following is a summary of the status of the agreed actions that were identified to address the significant governance issues were identified and recorded on the Council's Annual Governance Statement 2010-11:

	Issue	Action	Target Date	Status	Responsible Officer	Comments
1.	Guidance in respect of the governance of partnerships, including how it relates to shared services, to be reviewed and updated to reflect changing circumstances.	The Partnership Code and Toolkit, adopted as part of the Council's Constitution in 2009, is to be reviewed to ensure that it is aligned with the revised approach to partnerships as reflected in the new Southampton Connect collaborative model. Formal shared service arrangements with other authorities or organisations are generally governed via contracts or Service Level Agreements. As these expand a review may be required to consider whether a revision to the Constitution and guidance is required.	May 2012 (in the expectation that it will require a change to the Constitution and would there need to be presented at the Council's Annual General Meeting).	In Progress	Director of Economic Development / Director of Corporate Services	Shared services is a project contained within the Change Task Force programme including 'joint services with the Isle of Wight' and 'developing a clear framework for the Council for different service delivery models' (see <i>Change Programme report to 16th November Council</i>)
2.	Ensure consistent understanding of the council's corporate standards by relevant officers.	A review of corporate standards is to be undertaken to ensure that the arrangements currently in place are appropriate, robust and fit for purpose. This will then shape and inform the associated training and development activities which are targeted to commence from October 2011 onwards.	March 2012	In Progress	Director of Corporate Services	This has slipped due to the senior management restructure and other staff changes. In the new year the Head of Legal, HR and Democratic Services will start the review and a training programme will be developed to be rolled out in the Spring. The ModGov decision making software has been implemented by Democratic Services across the Council which ensures consistency of standards, approach and processes.

3.	<p>Governance arrangements in respect of the management of health and safety will not enable the provision of an appropriate level of assurance to officers and members that the health and safety compliance regime is robust.</p>	<p>Governance arrangements for health and safety accountabilities to be through a Health and Safety Management Board comprising the Chief Executive and Directors. This Board is to meet on a quarterly basis.</p>	March 2012	Completed	Director of Corporate Services	<p>A Health and Safety Board and Steering Group has now been established.</p> <p>The former comprises the Chief Executive, the Leader of the Council and Directors and meets on a quarterly basis. The last meeting of the Board was on 26/08/2011.</p> <p>The Steering Group, which comprises Director of Corporate Services, Head of Property & Procurement, Health & Safety Coordinators and Senior Managers representing Directorates and is charged with reviewing proposals, monitoring progress and supporting the Head of Property and Procurement in terms of implementing policies within their Directorates. This Group meets on a monthly basis.</p>
4.	<p>Changes being made to directorate and management structures in order to develop and improve the organization and ensure that effective services are delivered to its customers</p>	<p>The changes to directorate and management structures are intended to focus on delivering high quality, low cost services that meet customer needs and will be reflected in the employment (job description), constitutional and governance framework to ensure clarity of roles and responsibilities.</p>	March 2012	In Progress	Chief Executive / Director of Corporate Services	<p>The Chief Executive identified that radical organisational change was essential in order to enable the Council to substantially reshape the way that it does its business and to meet the future with confidence.</p> <p>In April 2011 a new structure was implemented with a 50% reduction in the number of Directorates and Director roles.</p> <p>In July 2011, the second phase of the organisational restructure began involving the simplification and rationalisation of management posts. In turn this established new management teams for each directorate creating fewer divisions than previously. As a consequence, this created a need to realign responsibilities across senior management and directorate support posts. This phase of the restructure commenced in October 2011.</p> <p>All of the key restructure exercises are intended to be completed September 2012.</p> <p>In relation to Adult Health and Social Care and Children's Services and Learning, the</p>

						<p>intention is not to merge the two Director roles prior to March 2013. In this period the expectation is that the two Directors will continue to develop closer working between the two directorates, which may well include merged support where appropriate. This would be done to maximise efficiencies/ improve service support and provision - i.e. further development of work that is being advanced across the Council.</p>
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Agenda Item 8

DECISION-MAKER:	AUDIT COMMITTEE
SUBJECT:	RISK MANAGEMENT ACTION PLAN 2011-12: STATUS REPORT
DATE OF DECISION:	6 DECEMBER 2011
REPORT OF:	HEAD OF FINANCE
STATEMENT OF CONFIDENTIALITY	
Not applicable.	

BRIEF SUMMARY

The 'Risk Management Action Plan 2011-12' was presented and approved by the Audit Committee at the meeting held on 23rd June 2011. In accordance with the Council's 'Risk Management Strategy' progress against the agreed 'Risk Management Action Plan' shall be reported to the Audit Committee on an annual basis with a 'mid term' status report.

RECOMMENDATIONS:

- (i) To note the Risk Management Action Plan 2011-12: Status Report as set out in the Appendix to this report.

REASONS FOR REPORT RECOMMENDATIONS

1. This report is presented to the Audit Committee in its capacity as the member body with responsibility for providing independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment.
2. The Audit Committee is also responsible for providing assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. No alternative options have been considered.

DETAIL (Including consultation carried out)

4. Effective risk management is a key element of corporate governance, and is recognised as such in:-
 - The CIPFA/SOLACE Corporate Governance Framework; and
 - CIPFA's guidance on the Statement on Internal Control.
5. The Accounts and Audit (Amendment) (England) Regulations 2006 also state that the Council is "responsible for ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions, and which includes arrangements for the management of risk".

RESOURCE IMPLICATIONS

Capital/Revenue

6. None.

Property/Other

7. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

8. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

9. None.

POLICY FRAMEWORK IMPLICATIONS

10. None.

AUTHOR:	Name:	Peter Rogers	Tel:	023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk		

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	n/a
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Risk Management Action Plan 2011-12: Status Report
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Documents In Members' Rooms

1.	
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	Not applicable.	
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RISK MANAGEMENT ACTION PLAN 2011-12: Status Report

	THEME / SOURCE / ISSUE	ACTION	TARGET DATE / MILESTONE	STATUS	COMMENTS
1.	Reporting risk - Implementation (in-house) of further developments to improve and enhance the risk functionality developed within CorVu (the council's performance management software).	Develop a suite of 'exception' style reports for use by Directorate Management Teams and the Management Board of Directors, to assist and inform the risk register review process and feed into the quarterly business review process. Reports options to include all 'red risks', outstanding actions, new/closed risks.	June 2011	COMPLETED (June 2011)	
2.	Decision Making - Ensure that key decision makers are aware of key risks	Refinement of the 'Portfolio Risk Registers' (derived from the Strategic and Directorate Risk Registers) and subsequent communication to Cabinet Members. It will also be used as a training opportunity in terms of explaining how risks were arrived at.	Oct 2011 (Revised to Jan 12)	IN PROGRESS	Directorates advise that Cabinet Members are made aware of key risks however it is currently on an ad hoc basis. The further development of the Portfolio Risk Registers has been included as part of a wider exercise to review and improve the risk functionality within CorVu. The functionality is designed in house and therefore requires a resource to both develop and test any improvements. Pressure on available resources has resulted in this not be progressed as quickly as originally intended.
3.	Business Planning - Ensure that key risks are aligned with the Council's key priorities and challenges as reflected in the business planning process.	Review, and where necessary, challenge the content of the Directorate Risk Registers to ensure quality and consistency of approach. Facilitate the update and review of the Strategic Risk Register in consultation with the Management Board of Directors.	June 2011	COMPLETED	Risk management is embedded as a key component of the corporate business planning process. Strategic Risks feature in the Council Plan and Directorate Risks form part of each Directorate Business Plan. There are ongoing discussions with nominated lead officers within each directorate with a view to ensuring that a consistent approach is adopted. The Management Board of Directors review the Strategic Risk Register on a quarterly basis.

	THEME / SOURCE / ISSUE	ACTION	TARGET DATE / MILESTONE	STATUS	COMMENTS
4.	Managing Risks in Partnerships (including shared service arrangements). Guidance in respect of 'managing risks in partnerships' forms part of the Council's Partnership Code and Toolkit and was formally adopted as part of the Council's Constitution in 2009.	Guidance in respect of the governance of partnerships, including how it relates to shared services, is to be reviewed and updated to reflect the revised approach to partnerships as reflected in the new Southampton Connect collaborative model. The review will include the associated guidance in respect of 'managing risks in partnerships'.	March 2012	IN PROGRESS	Shared services is a project contained within the Change Task Force programme including 'joint services with the Isle of Wight' and 'developing a clear framework for the Council for different service delivery models' (see <i>Change Programme report to 16th November Council</i>)
5.	Risk Reviews – Facilitate and direct a programme of property and liability risk reviews either at the request of insurance underwriters or in response to an adverse claims experience or area of concern.	Work with both property and liability insurers (via their risk survey / loss control service teams) to identify and develop an appropriate risk survey/ risk review programme encompassing both strategic and operational risk issues.	March 2012	IN PROGRESS	Insurers have undertaken fire and security surveys at the following premises: One Guildhall Square, The Quays, Bitterne Park School, former Woolston School site, Tudor House, City Depot, Above Bar Street and Albion Towers. A 'Driver and Fleet Management' review has also been undertaken.
6.	Training (also see Item 2)	SCC to facilitate a 'mock trial' training event involving insurers, solicitors and barristers for the benefit of those internal service areas who are involved in the investigation of liability (personal injury, loss or damage) claims. Event to be co-hosted with IOW Council.	Sept 2011	COMPLETED (Nov 2011)	Mock Trial event was held in the Council Chamber on 11 th November attended by colleagues from various internal service areas together with delegates from other local authorities in the area. A Member training session, which included a section on risk management, was held in July 2011. The session, which was primarily intended for the Audit Committee, was made available to all members.
7.	Guidance - Ensure that a range of risk management guidance documents and templates (including those relating to insurance) are available and are aligned with the requirements of service areas.	Review and update the intranet.	March 2012	COMPLETED (July 2011)	Intranet pages reviewed and updated as part of the launch of the updated Council Intranet.

	THEME / SOURCE / ISSUE	ACTION	TARGET DATE / MILESTONE	STATUS	COMMENTS
8.	Policy and Strategy - Ensure that the Risk Management Strategy and Policy are still relevant and appropriate.	Review and update the Risk Management Strategy and Policy as necessary and report any significant changes to the Audit Committee for approval.	June 12	NOT STARTED	

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DECISION-MAKER:	AUDIT COMMITTEE
SUBJECT:	STRATEGIC RISK REGISTER - UPDATE
DATE OF DECISION:	6 DECEMBER 2011
REPORT OF:	HEAD OF FINANCE
STATEMENT OF CONFIDENTIALITY	
Not applicable.	

BRIEF SUMMARY

The Strategic Risk Register was reviewed by the Audit Committee at the meeting held on 22nd September 2011 and, whilst the key risks and 'agreed actions to manage the risks' were noted, the Committee requested that the updated 'Strategic Risk Register – Management Action Plans' be reviewed at the next meeting so that the Committee can be assured that the agreed actions are being satisfactorily progressed.

RECOMMENDATIONS:

- (i) To review the updated 'Strategic Risk Register – Management Action Plans', set out in Appendix 1, particularly noting the comments in the 'Update of Required Management Actions/Control' field which captures the most up to date position.
- (ii) To note the Summary of Directorate Risk Registers set out in Appendix 2.

REASONS FOR REPORT RECOMMENDATIONS

1. This report is presented to the Audit Committee in its capacity as the member body with responsibility for providing independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment.
2. The Audit Committee is also responsible for providing assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. No alternative options have been considered.

DETAIL (Including consultation carried out)

4. Risk Management is a key component of the Council's governance framework. The risk registers are designed to capture, in one place, those key risks that need to be managed in order to support the successful delivery of the Council's priorities and challenges and to enable opportunities to be exploited and to move from a 'risk averse' to a 'managed risk' approach.
5. The 'Strategic Risk Register – Management Action Plans' are reviewed on a quarterly basis by the Management Board of Directors with the most recent review being undertaken on 15th November 2011.
6. The purpose of the review process is for the Management Board of Directors to be satisfied that the risks identified are still relevant and appropriate and to

receive assurance that the 'Required Action/Controls' identified to manage the risks are being progressed in accordance with expectations;

7. The review and update of Directorate Risk Registers is the responsibility of the respective Directorate Management Team noting that they are intended as a management tool to provide assurance that key risks are understood and being managed in accordance with an agreed risk appetite or tolerance.
8. At the suggestion of the Management Board of Directors, meetings have been held, both as a group and individually, with lead officers within each Directorate with a view to ensuring that there is a consistent approach to the management of risk.
9. All information in respect of Strategic and Directorate risks is held within CorVu (the Council's performance management software system) and a suite of standard risk reports is available

RESOURCE IMPLICATIONS

Capital/Revenue

10. None.

Property/Other

11. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

12. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

13. None.

POLICY FRAMEWORK IMPLICATIONS

14. None.

AUTHOR:	Name:	Peter Rogers	Tel:	023 8083 2835
	E-mail:	peter.rogers@southampton.gov.uk		

KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:	n/a
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Strategic Risk Register - Management Action Plans
2.	Summary of Directorate Risk Registers

Documents In Members' Rooms

1.	N/A
2.	

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
--	----

Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	N/A	
2.		

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Strategic Risk Register for 22 November 2011
Last Review Date - 22/09/2011 Next Review Date - 06/09/2011

Key Priority/ Objective	Council Plan Ref	Action/controls already in place	Required Action/controls	Responsibility for Action	Responsible Officer	Due/Target Date	Update of Required Management Action Controls	Status	Critical Success Factors and KPI's	Date last update	Date of next review	Risk Status
Risk Number : 001 Risk Owner : Dawn Baxendale Portfolio: Leaders Risk Category: Political Risk Description: The impact of national policies/trends on key service priorities or objectives is not identified or assessed sufficiently early Initial Impact: Significant Initial Likelihood: Low Initial Score: D3 Current Impact: Significant Current Likelihood: Low Current Score: D3 Target Impact: Significant Target Likelihood: Very Low Target Score: E3												
Change programme - the changing national environment in which we work		Horizon scanning, Strategic Planning meetings of the Management Board once in six weeks, Forward Plans for Cabinet and Management Board, Directorate leads to consider specific issues	Consideration at Quarterly Business Reviews	Dawn Baxendale	Dawn Baxendale	31-Mar-2012	Quarterly Business Reviews, each focussing on key performance issues within a different directorate, have been held in July, September and October. A further Quarterly Business Reviews is scheduled for December.	G		22/11/2011	31/1/2012	Open
		Early discussions with the Leadership Group for policies and trends which may have council wide impact		Dawn Baxendale	Dawn Baxendale	31-Mar-2012	Monthly meetings of the Leadership have been taking place at which discussions have taken place on key policies and trends.	G		22/11/2011	31/1/2012	Open
Risk Number : 002 Risk Owner : Dawn Baxendale Portfolio: Leaders Risk Category: Competitive Risk Description: The efficiency programme fails to deliver the required or expected budget savings Initial Impact: Significant Initial Likelihood: High Initial Score: B3 Current Impact: Significant Current Likelihood: High Current Score: B3 Target Impact: Significant Target Likelihood: Low Target Score: D3												
Efficient use of resources		Robust programme governance, roles and accountabilities established. PM Connect methodology used to monitor and control projects	Adequate project management and programme support arrangements in place to ensure delivery	Joy Wilmot-Palmer	Joy Wilmot-Palmer	31-Mar-2012	Programme approved at the Efficiency Board, prioritised and set up within PM Connect. Documentation adapted in PM Connect to enable programmes to be monitored in a consistent and robust way. Reduced Project Management capacity and some slippage with seconded staff leaving.	A		9/11/2011	6/12/2011	Open
		Appropriate staff, management and Trade Union engagement procedures established for all projects		Joy Wilmot-Palmer	Joy Wilmot-Palmer	31-Mar-2012	Staff and management engaged through a variety of mechanisms including workshops, questionnaires and interviews. Corporate Trade Union consultation approach established but limited engagement with programme due to on-going industrial relations dispute.	A		9/11/2011	6/12/2011	Open
		Consistent and timely review / change management approach implemented across the Council		Joy Wilmot-Palmer	Joy Wilmot-Palmer	31-Mar-2012	Standard review approach developed but not yet rolled out. Corporate Change Management Programme and Task Force currently being established.	A		9/11/2011	6/12/2011	Open
		Contingency plans in place for all service areas		Joy Wilmot-Palmer	Joy Wilmot-Palmer	31-Mar-2012	Formal contingency plans developed. However the expectation that all efficiency savings built into the current year's budget will be achieved is consistently reinforced through regular financial and programme monitoring arrangements.	A		9/11/2011	6/12/2011	Open

Agenda Item 9

Appendix 1

Strategic Risk Register for 22 November 2011
Last Review Date - 22/09/2011 Next Review Date - 06/09/2011

Key Priority/ Objective	Council Plan Ref	Action/controls already in place	Required Action/controls	Responsibility for Action	Responsible Officer	Due/Target Date	Update of Required Management Action Controls	Status	Critical Success Factors and KPI's	Date last update	Date of next review	Risk Status
<p>Risk Number : 003 Risk Owner : Mark Heath Portfolio: Leaders Risk Category: Political</p> <p>Risk Description: The Council is unable to react sufficiently quickly to changes in political direction</p> <p>Initial Impact: Significant Initial Likelihood: Significant Initial Score: C3</p> <p>Current Impact: Significant Current Likelihood: Significant Current Score: C3</p> <p>Target Impact: Significant Target Likelihood: Significant Target Score: C3</p>												
Continuous improvement		Regular meetings of Group Leaders with the Chief Executive and the Monitoring Officer. Protocols and procedures in place regarding the actions required in the event of a change of political control. Cross party member briefings / involvement in all key or major decisions. Effective Overview and Scrutiny arrangements are in place with powers to review or scrutinise decisions made, or other action taken, in connection with the discharge of any functions which are the responsibility of the Executive, including the power to recommend that a relevant decision be reconsidered by the person who made it	Current activity is considered to be appropriate and robust	Mark Heath	Mark Heath	31-Mar-2012	Group Leaders meetings continue and the Constitutional arrangements of the Council continue to be reviewed on an annual basis by the Monitoring Officer. The outcome of the review is reported and discussed with the Standards and Governance Committee and is then considered by Full Council at the AGM. Effective overview and scrutiny arrangements continue to be in place and are a fundamental aspect of the overall constitutional settlement of the Council. The relevant protocols and procedures have been updated and the Monitoring Officer is satisfied that they are sufficiently robust and in a sufficient state of preparedness to deal with any change in political direction so that officers are given clear and unequivocal advice about what they should do and how they should do it. These matters will continue to be kept under review, of course, and will be further reviewed leading up to May 2012.	G			6/12/2011	Closed

Strategic Risk Register for 22 November 2011
Last Review Date - 22/09/2011 Next Review Date - 06/09/2011

Key Priority/ Objective	Council Plan Ref	Action/controls already in place	Required Action/controls	Responsibility for Action	Responsible Officer	Due/Target Date	Update of Required Management Action Controls	Status	Critical Success Factors and KPI's	Date last update	Date of next review	Risk Status
<p>Risk Number : 004 Risk Owner : Mark Heath Portfolio: Leaders Risk Category: Professional/Managerial Risk Description: Workforce, industrial relations and skills retention issues have an adverse impact on service delivery Initial Impact: Significant Initial Likelihood: High Initial Score: B3 Current Impact: Significant Current Likelihood: High Current Score: B3 Target Impact: Significant Target Likelihood: Low Target Score: D3</p>												
Reshaping the Council for the future			Develop and communicate Organisational Development Strategy	Richard Ivory	Richard Ivory	31-Dec-2011	The Head of Organisational Development and IT left the authority on 14th August 2011. The function has now transferred to the Head of Legal, HR and Democratic Services. There have been other significant staff changes within HR Client which means that the team is very short on capacity at a senior level. An interim Head of HR started on 17th October and these three actions are placed at the top of the priority list for action. Progress is being made but it will not be possible to have a revised OD Strategy in place by 31st December, Spring 2012 being more realistic. Other target dates remain.	G	OD Strategy developed, approved and published by 31/12/2011	9/11/2011	6/12/2011	Open
<p>Risk Number : 005 Risk Owner : Mark Heath Portfolio: Leaders Risk Category: Professional/Managerial Risk Description: There is insufficient capacity to manage or maintain the capacity to change Initial Impact: Significant Initial Likelihood: Significant Initial Score: C3 Current Impact: Significant Current Likelihood: Significant Current Score: C3 Target Impact: Significant Target Likelihood: Low Target Score: D3</p>												
Reshaping the Council for the future		Council-wide organisational restructure commenced to transform the Council into an effective, customer-led organisation whilst reducing costs.	Progress against specified actions in new OD Strategy, specifically in respect of: Effective Communications; Skills Analysis; Training and Development; and Succession Planning. Work towards retaining IIP accreditation	Richard Ivory	Richard Ivory	31-Jul-2012	As above	G	IIP accreditation retained OR deliberate and reasoned decision taken not to seek retention.	9/11/2011	6/12/2011	Open
			Continuation of restructure to all tiers of the organisation	Richard Ivory	Richard Ivory	31-Mar-2012	On target	G	Restructures and all associated actions substantially complete by due date	30/9/2011	6/12/2011	Open
			Development of Organisational Development Strategy and implementation of Action Plan, particularly in respect of: Developing Flexible Employment Models; Development of Succession Planning Framework; and Development of Leadership Programme	Richard Ivory	Richard Ivory	31-Dec-2011	As above	G	Progress against OD Strategy Action Plan on target	30/9/2011	6/12/2011	Open

Strategic Risk Register for 22 November 2011
Last Review Date - 22/09/2011 Next Review Date - 06/09/2011

Key Priority/ Objective	Council Plan Ref	Action/controls already in place	Required Action/controls	Responsibility for Action	Responsible Officer	Due/Target Date	Management Action Controls	Status	Critical Success Factors and KPIs	Date last update	Date of next review	Risk Status
<p>Risk Number : 006 Risk Owner : Dawn Baxendale Portfolio: Leaders Risk Category: Economic Risk Description: Major infrastructure developments or economic development plans are adversely affected by economic, environmental or market conditions and/or are not delivered in accordance with stakeholder expectations. Initial Impact: Significant Initial Likelihood: Significant Initial Score: C3 Current Impact: Significant Current Likelihood: Significant Current Score: C3 Target Impact: Significant Target Likelihood: Low Target Score: D3</p>												
A better place to live and invest		Assist developer where possible to maximise scheme viability. Work closely with landowners and developers. Review opportunities to assist with funding. Explore all potential funding streams that can be aligned to facilitate development.	Business Planning process considers PESTLE analysis and risks PM Connect and Capital Boards are in place	Dawn Baxendale Dawn Baxendale	Dawn Baxendale Dawn Baxendale	31-Mar-2012 31-Mar-2012	To be reaffirmed in the next cycle of integrated business planning PM Connect is established across the Council and Capital Boards are in place across all portfolios.	G G		22/11/2011 22/11/2011	31/1/2012 31/1/2012	Open Open
<p>Risk Number : 007 Risk Owner : Mark Heath Portfolio: Leaders Risk Category: Professional/Managerial Risk Description: High priority projects do not deliver the required or expected outcome and/or are delayed or not within budget Initial Impact: Significant Initial Likelihood: Significant Initial Score: C3 Current Impact: Significant Current Likelihood: Significant Current Score: C3 Target Impact: Significant Target Likelihood: Low Target Score: D3</p>												
Efficient use of resources		PM Connect project management process introduced in April 2010. PM Connect provides a consistent and transparent process with high priority and other projects registered on a SharePoint site where monthly status reports can be viewed. A high priority project is categorised as 'Gold' and requires a higher level of project planning and approval via the council's Gateway approval process.	Develop SharePoint to require all Gateway project documents to be held and approved online via SharePoint. This will ensure that there is a clear audit trail to evidence that the document has the required level of approval appropriate to the project priority and risk level. Introduce an escalation procedure to trigger the automatic escalation of Gold high priority projects to MBoD where the project has a Red RAG status or, for more than one consecutive month, an Amber RAG status. To produce a report for the MBoD seeking to ensure that (1) Project managers are adequately equipped to manage projects (2) That project sponsors are familiar with and are able to perform the role successfully (3) That project, programme and capital boards are able to ensure that projects are being adequately managed from a cost, timescale and quality perspective. This will include reviewing the roles of Capital and Programme Board, (4) To ensure that escalation processes are in place to deal promptly and effectively with any problems.	Andy Lowe Mark Heath Andy Lowe	Rob Aldridge Mark Heath Rob Aldridge	31-Mar-2012 30-Apr-2012 1-Feb-2012	A piece of software called Sharepoint Designer has been acquired. A program has been written that will achieve the required action. The intention is to pilot the new arrangement within certain areas of the Council however this will be dependant on adequate IT support being available. This is with the Director for consideration. The initiative will be discussed in the forthcoming paper to the Management Board of Directors. Discussions have taken place with a number of Project Managers and Project Sponsors to determine the effectiveness of PM connect and to identify the strengths and weaknesses of Project Management within the authority. A number of issues have been identified and these will be incorporated in the report to the Management Board of Directors.	G G G	A reduction in the number of projects registered on SharePoint without the appropriate project documentation. Baseline figures to be provided by the Project Management Office Consideration of escalated Gold projects to be a standing item on the MBoD agenda. That there is a percentage increase year on year on the number of projects that are: a) Introduced within the initial budget; b) Introduced within the original timescale; c) That the project sponsor determines that the outcomes are at least equal to those originally envisaged.	4/11/2011 4/11/2011 4/11/2011	6/12/2011 6/12/2011 6/12/2011	Open Open Open

Strategic Risk Register for 22 November 2011
Last Review Date - 22/09/2011 Next Review Date - 06/09/2011

Key Priority/ Objective	Council Plan Ref	Action/controls already in place	Required Action/controls	Responsibility for Action	Responsible Officer	Due/Target Date	Update of Required Management Action Controls	Status	Critical Success Factors and KPIs	Date last update	Date of next review	Risk Status
<p>Risk Number : 008 Risk Owner : Frances Martin Portfolio: Environment & Transport Risk Category: Professional/Managerial</p> <p>Risk Description: Major incident or service delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions</p> <p>Initial Impact: Significant Initial Likelihood: Low Initial Score: D3</p> <p>Current Impact: Significant Current Likelihood: Low Current Score: D3</p> <p>Target Impact: Significant Target Likelihood: Low Target Score: D3</p>												
Customer Delivery		Range of emergency response plans in place to address identified issues and/or respond to legal or statutory requirement i.e. SCC Major Incident and Business Continuity Response Plans, Flu Pandemic Plan, Flood Plan, Oil and Chemical Pollution Plan, Solon Safe 'z berth' plan etc;	BCP corporate ownership and application at senior manager level lacking in consistency. Highlight within BCP review process. BI-annual review of emergency response plans	Jon Dyer-Slade	Jon Dyer-Slade	31-Dec-2011	Raised at Directorate Management Team. Currently reviewing with completion date end of QTR 3.	G	Commitment in the support of the Emergency Response Team when necessary	31/10/2011	6/12/2011	Open
		Directorate and Divisional Business Plans in place;	Ongoing Capita and client assurance in respect of the IT Disaster Recovery Plan	Jon Dyer-Slade	Kevin Foley	31-Mar-2012	Raised at Directorate Management Team. Currently reviewing with completion date end of QTR 3.	G	Timely and effective response to civil emergencies and internal business disruption as they arise;	31/10/2011	6/12/2011	Open
		IT Disaster Recovery Plan in place and tested;	Sufficient staffing and focus to ensure corporate obligations. To be highlighted within corporate restructure Emergency Response Team review	Jon Dyer-Slade	Jon Dyer-Slade	31-Jul-2011	Testing of the IT Disaster Recovery Plan is undertaken annually with the next exercise scheduled for Q4 in 2011-12. The annual exercise is to ensure that nominated key systems are able to be restored. A random selection of key systems are selected for each exercise.	G	Commitment in support of the the Emergency Response Team when necessary.	22/11/2011	6/12/2011	Open
		Emergency response plans are tested on a periodic basis with 'testing' targeting on high risk areas;	Training and exercise programme re business continuity plans (as service area testing of BCP's not evident in majority of cases)	Jon Dyer-Slade	Jon Dyer-Slade	31-Jan-2012	Safeguarded in the 2012/13 budget.	G		31/10/2011	6/12/2011	Open
		Cross service and interagency emergency response teams in place and tested both in exercise and to live incidents.		Jon Dyer-Slade	Jon Dyer-Slade		Foxwater 12 planned for January 2012; this will highlight importance of Emergency Planning and Business Continuity Planning.	G	Consistency of nomination and attendance	31/10/2011	6/12/2011	Open
<p>Risk Number : 009 Risk Owner : Mark Heath Portfolio: Leaders Risk Category: Partnership/Contractual</p> <p>Risk Description: Key suppliers to services to the Council fail to deliver their contractual obligations</p> <p>Initial Impact: Significant Initial Likelihood: Significant Initial Score: C3</p> <p>Current Impact: Significant Current Likelihood: Significant Current Score: C3</p> <p>Target Impact: Significant Target Likelihood: Low Target Score: D3</p>												
Continuous improvement		Contract Procedure Rules;	Appoint Senior Manager - Contracts	John Spiers	John Spiers	31-Dec-2011	Job description and person specification complete. Part of current consultation process.	G	Position successfully recruited to and postholder delivering to job/person specification.	28/10/2011	6/12/2011	Open
		Corporate Procurement Strategy 2009-2012	Review contract management processes	John Spiers	John Spiers	1-Mar-2012	Required action to be undertaken by the Senior Manager - Contracts (when in post)	GY		28/10/2011	6/12/2011	Open
			Supplier Relationship Management process to be implemented by Directorates	John Spiers	John Spiers	31-Mar-2012	SRM process in place with 20 key suppliers and regular updates received from Directorates.	G	Key suppliers meet their contractual obligations	28/10/2011	6/12/2011	Open

Strategic Risk Register for 22 November 2011
Last Review Date - 22/09/2011 Next Review Date - 06/09/2011

Key Priority/ Objective	Council Plan Ref	Action/controls already in place	Required Action/controls	Responsibility for Action	Responsible Officer	Due/Target Date	Update of Required Management Action Controls	Status	Critical Success Factors and KPI's	Date last update	Date of next review	Risk Status
<p>Risk Number : 010 Risk Owner : Mark Heath Portfolio: Leaders Risk Category: Legislative</p> <p>Risk Description: Governance arrangements in respect of the management of health and safety will not enable the provision of an appropriate level of assurance to officers and members that the health and safety regime is robust</p> <p>Initial Impact: Significant Initial Likelihood: Significant Initial Score: C3</p> <p>Current Impact: Significant Current Likelihood: Significant Current Score: C3</p> <p>Target Impact: Significant Target Likelihood: Low Target Score: D3</p>												
Continuous improvement		Health and Safety Board; Health and Safety Steering Group; Health and Safety Policy; Safe Working Procedures and other guidance on Intranet; Training Programme.	Fire Risk Assessments on priority buildings Governance arrangements for health and safety accountabilities to be through a Health and Safety Management Board comprising the Chief Executive, Directors and Capita. Board to meet on a quarterly basis. Guidance which would include Property Handbook, Managers Handbook, Bulletins, Updated self-audit tool Health and Safety Policy and arrangements to be updated and signed by Chief Executive, Leader of the Council and Directors Implementation of Info Exchange Property Management System Three year cycle audit programme Training schedule to be reviewed with mandatory courses	John Spiers John Spiers John Spiers John Spiers John Spiers John Spiers John Spiers	John Spiers John Spiers John Spiers John Spiers John Spiers John Spiers John Spiers	31-Oct-2011 30-Sep-2011 31-Mar-2012 1-Nov-2011 31-Mar-2012 31-Mar-2012 31-Mar-2012	FRA's conducted however this will then need lead to works programmes, where required, and completion of remedial works. Health and Safety Board and Steering Group in place. Self audits to be completed by all services. Chief Executive and Leader of Council sign Policy Document. Start date 1st December 2011 Audit programme to commence on 1st December 2011 To be developed	G G G A G G G	Remedial works completed on priority buildings. Self Audits are completed by all services and high levels of health and safety understanding are demonstrated. Health and Safety is seen as a priority of the organisation with a clear lead coming from the Management Board of Directors. Compliant buildings Proof of compliance High levels of course attendance	28/10/2011 28/10/2011 28/10/2011 28/10/2011 28/10/2011 28/10/2011 28/10/2011	6/12/2011 6/12/2011 6/12/2011 6/12/2011 6/12/2011 6/12/2011 6/12/2011	Open Open Open Open Open Open Open

Overall Summary - Directorate Risk Registers

22 November 2011

For all types of organisation there is a need to understand those risks that, if not managed effectively, could have an adverse impact on the achievement of key objectives or prevent opportunities from being exploited. The council is committed to ensuring that there is a structured and consistent approach to managing risk, recognising the need to optimise the balance between risk and reward and that, actions to mitigate or manage risk to an acceptable level, need to be proportionate to the level of risk.

No	Directorate	Description	Current Risk Score	Likelihood	Impact	Comments
1	Health and Adult Social Care	Market failure due to safeguarding or business closure.	B2	High	Critical	
2		Public Spending Review reduces resources to support most vulnerable adults in the City		High	Critical	
3	Economic Development	Failure to deliver the agreed efficiency programme resulting in adverse consequences on the Council's budget.	B3	High	Significant	
4		Failure to progress viable development schemes.		High	Significant	
5	Environment	Priority Services are affected by industrial action putting residents at risk		High	Significant	
6	Health and Adult Social Care	Demand for Care Services will continue to rise due to demographic and economic changes		High	Significant	
7	Corporate Services	There are insufficient resources available to deliver all priorities		B4	High	Marginal
8	Children's Services & Learning	Failure to prevent a major child protection failure	C2	Significant	Significant	The likelihood of such a failure relies on the quantity and calibre of child protection capacity, and the robustness of SCC and its partners meeting their child protection obligations. The immediate risk is exacerbated by staffing and resource pressures across all agencies.
9		Failing to manage the current infrastructure to meet the needs of growing numbers of young children needing school places.		Significant	Critical	
10	Economic Development	Failure to secure landowner / leaseholder consents.	C2	Significant	Significant	This creates delay and may require Compulsory Purchase Order.
11		Objections to consents and orders delaying or failing projects.		Significant	Critical	

12	Health and Adult Social Care	Failure to receive 'excellent' ratings from CQC due to condition of internal furnishings within residential homes.		Significant	Critical	
13		Key Suppliers fail to deliver their contractual obligations		Significant	Critical	
14	Children's Services & Learning	Business continuity arrangements fail to address a major disruption to service	C3	Significant	Significant	
15		Damage to leadership role of SCC in services to children and young people as a consequence of changes in government policy		Significant	Significant	Individual schools have the right to make unilateral decisions to assume Academy status. Each school that does so results in a government 'top slice' of SCC resource. Depending on the pace of individual school decisions, funds remaining to deliver statutory accountabilities to the remainder may be compromised significantly.
16	Corporate Services	Industrial action or legal challenge in respect of Terms and Conditions changes		Significant	Significant	
17	Economic Development	Ability to respond appropriately to changes to the legislative and regulatory framework, including the de-regulation agenda.		Significant	Significant	
18		Deliver 'young offenders' programme of work placements/Pre-employment training		Significant	Significant	On track - contractor been selected.
19		Eastpoint Demolition		Significant	Significant	
20		Failure to secure grant funding opportunities		Significant	Significant	Developing sub regional partnership and bidding mechanisms.
21		Failure to secure relevant grant funding opportunities due to the reduction of external funding opportunities and government grants.		Significant	Significant	Several bids have been submitted.
22		Reduced capacity / skill shortages following organisational changes / reconfiguration		Significant	Significant	Ongoing, to be reviewed following outcome of Policy and Performance review across the Council.
23		Significant changes in National policy / legislation affecting current services.		Significant	Significant	
24	Environment	Ability to respond appropriately to changes to the legislative & regulatory framework, including the deregulation agenda.	Significant	Significant		
25		Adverse impact of environmental conditions (i.e. weather) on highway infrastructure.	Significant	Significant		

26		Reduced capacity to deliver services and priorities with reduced staff & financial resources		Significant	Significant	
27		The Decent Homes Transformation Programme will not succeed without effective Trade Union consultation and engagement and empowerment of staff		Significant	Significant	
28		The level of infrastructure funding secured by SCC is insufficient to meet all of our aspirations.		Significant	Significant	
29	Health and Adult Social Care	Current workforce skills do not meet the needs of service delivery changes		Significant	Significant	
30		Final relevant legislation requires significant changes to initial policy and planning intentions.		Significant	Significant	
31		Loss of Senior Management capacity through structural changes		Significant	Significant	
32	Corporate Services	The Accommodation Strategy Action Plan (ASAP) is delayed or fails to meet key milestones	C4	Significant	Marginal	
33	Economic Development	Failure to achieve various pre-conditions attached to development / legal agreements.	D2	Low	Critical	
34		Failure to implement a robust flooding strategy and necessary flood defence to facilitate future development.		Low	Critical	
35		Failure to retain relevant grant funding e.g. SNAC / NCIP		Low	Critical	The impact would depend on the stage reached in the development programme renegotiations may mitigate the risk
36	Health and Adult Social care	Major incident or prolonged disruption affecting normal service delivery		Low	Critical	
37	Corporate Services	The required/expected outcomes and savings from the SSP are not delivered	D3	Low	Significant	
38		There is an increase in fraudulent activity in light of the current economic climate		Low	Significant	
39	Economic Development	Failure to deliver commitments or achieve agreed performance or saving targets due to industrial relations issues		Low	Significant	At the end of quarter 1, 77% of the Council KKPI's were on target to be achieved and 89% of the Service Actions. This performance was discussed at MBoD on 16th August and to Cabinet on the 5th September.

40		Partnership opportunities and benefits not being fully realised with Private Sector companies, other departments and/or voluntary organisations.		Low	Significant	City Plan was presented to Cabinet on 5th September with a full launch for partners in October at the Southampton Connect Conference.
41		Risk of challenge through OJEU process		Low	Significant	
42	Environment	Failure to maximise the efficiency & effectiveness of the supply chain and internal and external partnerships will lead to the collapse of key Transformation projects.		Low	Significant	
43		Staff or residents are put at risk due to a major incident or event or failure in H&S practices resulting in serious injury or death		Low	Significant	
44	Health and Adult Social Care	Changes in local and national political policy		Low	Significant	Risk updated to reflect required action.
45	Economic Development	Failure to achieve high level of design quality with reduced resources	D4	Low	Marginal	
46		Failure to deliver commitments, achieve performance targets or demonstrate performance due to insufficient resources.		Low	Marginal	PM Connect is used for all major projects. Also monitored through Capital Monitoring Board which the Leaders attends.

Created using CorBusiness

Likelihood

- (A) Very High : Highly likely to occur
 (B) High : Will probably occur at some time, or in some circumstances
 (C) Significant : Fairly likely to occur at some time, or in some circumstances
 (D) Low : Is unlikely to, but could, occur at some time
 (E) Very Low : May only occur in exceptional circumstances
 (F) Almost Impossible : Highly unlikely to occur

Impact is considered in terms of:

- Financial impact;
- Reputational impact;
- Impact on delivery of key priorities.

DECISION-MAKER:	AUDIT COMMITTEE
SUBJECT:	NATIONAL FRAUD INITIATIVE 2010-11
DATE OF DECISION:	6 DECEMBER 2011
REPORT OF:	CHIEF INTERNAL AUDITOR
STATEMENT OF CONFIDENTIALITY	
None.	

BRIEF SUMMARY

The National Fraud Initiative (NFI) is a data matching exercise run by the Audit Commission which matches electronic data within and between participating bodies to prevent and detect fraud. The NFI is run every two years and is part of the statutory audit process for health, local government and the other public sector providers that the Audit Commission is responsible for. Approximately 1,500 organisations supply data in areas like housing benefit, payroll and pensions which is then cross-matched to identify inaccuracies or potential fraud.

RECOMMENDATIONS:

- (i) To note the current status of the 2010 -11 National Fraud Initiative data matching.

REASONS FOR REPORT RECOMMENDATIONS

1. The Audit Committee is the member body with responsibility for oversight of and provision of assurance to the Standards and Governance Committee on 'the scope and effectiveness of the internal control systems established by management to identify, assess, manage and monitor financial and non-financial risks (including measures to protect against, detect and respond to fraud)'.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None.

DETAIL (Including consultation carried out)

3. The NFI is the Audit Commission's data matching exercise that runs every two years and is designed to help participating bodies identify possible cases of fraud and detect and correct any consequential under or overpayments from the public purse.
4. Nationally, the Audit Commission has reported that the most recent exercise (NFI 2008/09) identified £215 million of fraud, overpayments and errors across the United Kingdom from local government, central government, the NHS and a number of private sector bodies.
5. As part of the 2008/09 NFI exercise Southampton City Council identified £132,235 of fraud. A substantial element of this was in respect of Council Tax Single Person Discounts.
6. The scope of the 2010-11 NFI exercise included:
 - Payroll;
 - Pensions;

- Creditors;
- Housing;
- Insurance claimants;
- Private supported care home residents;
- Transport passes and permits; and
- Licences

The 2010-11 NFI exercise identified 11,582 matches.

7. In each case, and in advance of the data being supplied, all necessary steps were taken to ensure compliance with the Audit Commission's statutory 'Code of Data Matching Practice' in respect of the notification to data subjects that data held on systems may be used for the prevention or detection of fraud.
8. In accordance with the NFI timetable in October 2011, the Council Tax dataset was uploaded to the NFI website and arrangements are in place to ensure the required Electoral Registration data set is available to be uploaded on 5 December 2011.
9. In November 2011 the Audit Commission undertook a risk assessment of the Council's progress with regard the National Fraud Initiative, concluding a low risk (green status) opinion.
10. As part of the 2010-11 NFI exercise, to date £64,965 of fraud / error has been identified.

RESOURCE IMPLICATIONS

Capital/Revenue

11. None.

Property/Other

12. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

13. The Audit Commission Act 1998 and the Accounts and Audit (England) Regulations 2011 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

14. None.

POLICY FRAMEWORK IMPLICATIONS

15. None.

AUTHOR:	Name:	Neil Pitman	Tel:	023 8083 4616
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KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	2010 -11 National Fraud Initiative Exercise – Outcomes to Date
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Documents In Members' Rooms

1.	None
2.	

Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.		
2.		

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NFI - Analysis of 'Recommended' Matches

Report Title	Total Matches	Processed	In Progress	To be reviewed	Total Recommended	Recommended			Frauds	Errors	Outcome
						Processed	In progress	To be reviewed			
Housing Benefit Claimants to Student Loans	148	125	23	0	64	52	12	0	2	1	£2,980.66
Housing Benefit Claimants to Student Loans	7	6	1	0	1	0	1	0	0	0	£0.00
Housing Benefit Claimants to Payroll	280	278	2	0	3	3	0	0	0	0	£0.00
Housing Benefit Claimants to Payroll	135	131	4	0	10	8	2	0	0	0	£0.00
Housing Benefit Claimants to Pensions	954	319	10	625	34	29	4	1	2	0	£1,873.40
Housing Benefit Claimants to Payroll	4	4	0	0	2	2	0	0	0	0	£0.00
Housing Benefit Claimants to Payroll	3	3	0	0	1	1	0	0	0	0	£0.00
Housing Benefit Claimants to Payroll	267	78	1	188	98	76	1	21	0	0	£0.00
Housing Benefit Claimants to Payroll	282	69	5	208	125	69	5	51	1	0	£0.00
Housing Benefit Claimants to Pensions	181	8	0	173	60	8	0	52	0	0	£0.00
Housing Benefit Claimants to UK Visas	2	2	0	0	1	1	0	0	0	0	£0.00
Housing Benefit Claimants to UK Visas	39	34	5	0	16	13	3	0	0	0	£0.00
Housing Benefit Claimants to Housing Benefit Claimants	25	13	4	8	8	7	1	0	0	0	£0.00
Housing Benefit Claimants to Housing Benefit Claimants	5	5	0	0	5	5	0	0	0	0	£0.00
Housing Benefit Claimants to Housing Tenants	36	3	2	31	29	3	2	24	0	0	£0.00
Housing Benefit Claimants to Housing Tenants	31	12	4	15	15	12	3	0	0	0	£0.00
Housing Benefit Claimants to Housing Tenants	24	0	0	24	18	0	0	18	0	0	£0.00
Housing Benefit Claimants to Housing Tenants	45	18	3	24	23	17	3	3	0	0	£0.00
Housing Benefit Claimants to Market Traders	3	3	0	0	2	2	0	0	0	0	£0.00
Housing Benefit Claimants to Market Traders	6	6	0	0	2	2	0	0	0	0	£0.00
Housing Benefit Claimants to Taxi Drivers	149	22	6	121	10	4	6	0	0	0	£0.00
Housing Benefit Claimants to Taxi Drivers	53	2	0	51	7	2	0	5	0	0	£0.00
Housing Benefit Claimants to Taxi Drivers	7	5	0	2	3	2	0	1	0	0	£0.00
Housing Benefit Claimants to Taxi Drivers	117	32	0	85	43	32	0	11	0	0	£0.00
Housing Benefit Claimants to Taxi Drivers	45	16	0	29	21	16	0	5	0	0	£0.00
Housing Benefit Claimants to Personal alcohol licences	3	0	0	3	3	0	0	3	0	0	£0.00
Housing Benefit Claimants to Personal alcohol licences	9	0	0	9	3	0	0	3	0	0	£0.00
Housing Benefit Claimants to Personal alcohol licences	11	3	3	5	5	2	3	0	0	0	£0.00
Housing Benefit Claimants to Personal alcohol licences	36	6	0	30	11	6	0	5	0	0	£0.00
Housing Benefit Claimants to Personal alcohol licences	3	3	0	0	2	2	0	0	0	0	£0.00
Payroll to UK Visas	2	1	1	0	2	1	1	0	0	0	£0.00
Payroll to UK Visas	21	21	0	0	20	20	0	0	0	0	£0.00
Payroll to Housing Benefit Claimants	1	0	0	1	1	0	0	1	0	0	£0.00
Payroll to Creditors	50	30	10	10	22	16	6	0	0	0	£0.00
Payroll to Creditors	227	102	19	106	88	65	0	23	0	0	£0.00
Housing Tenants to Housing Tenants	18	9	0	9	12	9	0	3	0	0	£0.00
Housing Tenants to Housing Tenants	9	0	0	9	4	0	0	4	0	0	£0.00
Housing Tenants to Housing Tenants	28	0	12	16	15	0	11	4	0	0	£0.00
Housing Tenants to Housing Benefit Claimants	43	11	9	23	31	10	7	14	0	0	£0.00
Housing Tenants to Housing Benefit Claimants	24	7	9	8	15	7	8	0	0	0	£0.00
Right to Buy to Housing Benefit Claimants	12	3	0	9	3	3	0	0	0	0	£0.00
Blue Badge Parking Permit to DWP Deceased	109	109	0	0	104	104	0	0	0	0	£0.00
Concessionary Travel Passes to DWP Deceased	231	231	0	0	231	231	0	0	0	0	£0.00
Blue Badge Parking Permit to DDRI Deceased Persons	284	284	0	0	245	245	0	0	0	0	£0.00
Concessionary Travel Passes to DDRI Deceased Persons	1020	1020	0	0	1017	1017	0	0	0	0	£0.00
Resident Parking Permit to DDRI Deceased Persons	8	8	0	0	5	5	0	0	0	0	£0.00
Private Residential Care Homes to DWP Deceased	33	30	3	0	2	2	0	0	0	0	£0.00
Private Residential Care Homes to DDRI Deceased Persons	33	33	0	0	33	33	0	0	0	0	£0.00
Insurance Claimants to Insurance Claimants	2	2	0	0	2	2	0	0	0	0	£0.00
Insurance Claimants to Insurance Claimants	1	1	0	0	1	1	0	0	0	0	£0.00
	5,066	3,108	136	1,822	2,478	2,147	79	252	5	1	£4,854
						86.6%	3.2%	10.2%			

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NFI - Analysis of Other Matches

Appendix 2

Report Title	Total Matches	Processed	In Progress	To be reviewed	Frauds	Errors	Outcome
Housing Benefit Claimants to Pensions	8	8	0	0	0	0	£0.00
Housing Benefit Claimants to Right to Buy	2	2	0	0	0	0	£0.00
Housing Benefit Claimants to Taxi Drivers	2	1	0	1	0	0	£0.00
Payroll to Payroll	5	0	0	5	0	0	£0.00
Payroll to Payroll	180	77	40	63	0	0	£0.00
Payroll to Payroll	4	0	0	4	0	0	£0.00
Payroll to Pensions	21	4	11	6	0	0	£0.00
Payroll to NI Number Check	47	11	0	36	0	0	£0.00
Payroll to Council Tax	54	0	0	54	0	0	£0.00
Housing Tenants to Housing Tenants	4	0	0	4	0	0	£0.00
Housing Tenants to In-Country Immigration	1	0	1	0	0	0	£0.00
Housing Tenants to UK Visas	2	2	0	0	0	0	£0.00
Housing Tenants to UK Visas	18	0	18	0	0	0	£0.00
Housing Tenants to Right to Buy	2	0	0	2	0	0	£0.00
Right to Buy to Housing Benefit Claimants	1	0	0	1	0	0	£0.00
Right to Buy to Housing Benefit Claimants	1	0	0	1	0	0	£0.00
Blue Badge Parking Permit to Blue Badge Parking Permit	2	0	0	2	0	0	£0.00
Blue Badge Parking Permit to Blue Badge Parking Permit	6	0	0	6	0	0	£0.00
Taxi Drivers to UK Visas	2	0	2	0	0	0	£0.00
Taxi Drivers to UK Visas	9	6	3	0	0	0	£0.00
Duplicate creditors by creditor name	704	252	8	444	0	1	£0.00
Duplicate creditors by address detail	505	251	9	245	0	0	£0.00
Duplicate creditors by bank account number	53	43	8	2	0	10	£0.00
Duplicate records by reference, amount and creditor reference	151	143	3	5	0	6	£14,877.42
Duplicate records by amount and creditor reference	4,214	240	1	3,973	0	0	£0.00
VAT overpaid	257	161	0	96	0	0	£0.00
Duplicate records by name, invoice number and amount but different creditor reference	8	6	2	0	0	0	£0.00
Duplicate records by invoice number and amount but different creditor reference and name	153	135	4	14	0	24	£45,233.55
Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	21	19	0	2	0	0	£0.00
Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	79	75	4	0	0	0	£0.00
	6,516	1,436	114	4,966	0	41	£60,110.97

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DECISION-MAKER:	AUDIT COMMITTEE
SUBJECT:	INTERNAL AUDIT: PROGRESS REPORT NOVEMBER 2011
DATE OF DECISION:	6 DECEMBER 2011
REPORT OF:	CHIEF INTERNAL AUDITOR
STATEMENT OF CONFIDENTIALITY	
None.	

BRIEF SUMMARY

Under the Accounts and Audit (England) Regulations 2011, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control

In accordance with proper internal audit practices and the Internal Audit Strategy, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

- progress in implementing the audit plan;
- internal audit reviews in progress;
- audit opinion on all internal audit reviews completed since the last report and executive summaries of published reports where critical weaknesses or unacceptable levels of risk were identified;
- the status of 'live' reports, i.e. those where internal audit work is completed and actions are planned to improve the framework of governance, risk management and management control; and
- internal audit reviews closed since the last report.

The appendix summarises the activities of internal audit for the period ending November 2011.

RECOMMENDATIONS:

- (i) That the Audit Committee notes the Internal Audit Progress report for the period ending November 2011 as attached.

REASONS FOR REPORT RECOMMENDATIONS

1. In accordance with proper internal audit practices and the Internal Audit Strategy, the Audit Committee is required to receive the Chief Internal Auditor's progress report.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. None.

DETAIL (Including consultation carried out)

3. The status report for the period ending November 2011 is attached for consideration in the appendix.

RESOURCE IMPLICATIONS

Capital/Revenue

4. None.

Property/Other

5. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

6. The Accounts and Audit (England) Regulations 2011 require the Council to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

Other Legal Implications:

7. None.

POLICY FRAMEWORK IMPLICATIONS

8. None.

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KEY DECISION? No

WARDS/COMMUNITIES AFFECTED:

SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

1.	Internal Audit: Progress Report period ending November 2011
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Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.		
2.		

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

1 Opinion definitions

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

2 Status of 'live' reports:

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

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

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

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

3 Planning and Resourcing

Partnership

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

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

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

Cabinets decision was:

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

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

Resources

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

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

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

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

4 Internal Audit Performance

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

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

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

5 Rolling work programme

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

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

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

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

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

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

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

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