

AUDIT COMMITTEE

3 December 2015

INTERNAL AUDIT PROGRESS REPORT 2015 - 2016

REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

Contact Officer: Neil Pitman Tel No: 01962 845139 Email:  
[neil.pitman@hants.gov.uk](mailto:neil.pitman@hants.gov.uk)

RECENT REFERENCES:

AUD110 - Internal Audit Progress Report 2014-15 – 12 March 2015

AUD112 - Internal Audit Plan 2015-16 – 12 March 2015

AUD123 - Internal Audit Progress Report 2014-15 – 22 June 2015

AUD124 - Internal Audit Report and Opinion 2014-15 – 22 June 2015

AUD129 – Internal Audit Progress Report 2015-16 – 24 September 2015

EXECUTIVE SUMMARY:

The purpose of this paper is to provide the Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved plan and to provide an overview of the status of 'live' reports.

RECOMMENDATION:

- 1 The Audit Committee note the Internal Audit Progress Report 2015-2016 attached as Appendix 1.

## AUDIT COMMITTEE

3 DECEMBER 2015

### INTERNAL AUDIT PROGRESS REPORT 2015 - 2016

#### REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

#### DETAIL:

##### 1 Introduction

- 1.1 The purpose of this paper is to provide the Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

##### 2 Summary

- 2.1 Under the Accounts and Audit (England) Regulations 2015, the Council must:

*'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'*

- 2.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

*'communications on the internal audit activity's performance relative to its plan.'*

- 2.3 Appendix 1 summarises the performance of internal audit for 2015-2016.

OTHER CONSIDERATIONS:

3 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 3.1 Internal audit plays a vital role in helping the organisation accomplish its objectives, strategies and change plans by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4 RESOURCE IMPLICATIONS:

- 4.1 None directly from this report.

5 RISK MANAGEMENT ISSUES

- 5.1 The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix 1 – Internal Audit progress report 2015-2016.

**Internal Audit Progress Report**

**November 2015**

**Winchester City Council**



**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

***‘undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’***

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

***‘Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.***

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

## 2. Purpose of report

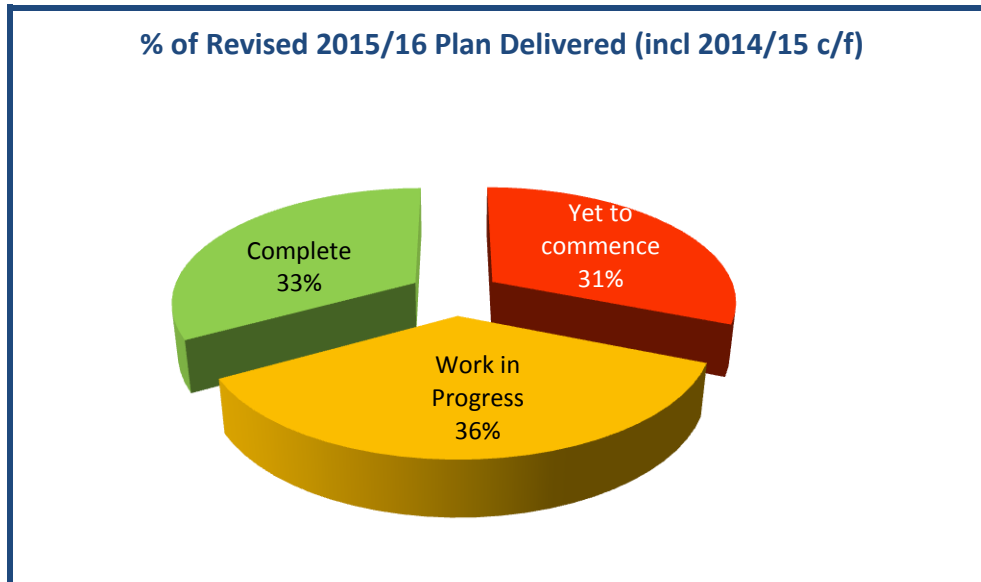
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- the status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

<b>Substantial</b>	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.
<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
<b>Limited</b>	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

3. Performance dashboard



**Positive customer response to 'Quality Appraisal Questionnaire'**

**Target : 90%**

**Actual : 94%**

<b>Compliance with Public Sector Internal Audit Standards / Local Government Application Note</b>	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to <b>all</b> of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN). This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the SIAP.'</i></p>



## 4. Status of 'Live' Reports

Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Covalent is currently showing 7 outstanding actions (17 outstanding actions previously reported 24 September 2015) relating to audit reports issued prior to 2013-14. Management are currently reviewing these actions to ensure Covalent has been appropriately updated or establish continued relevance.								
Data Protection and Freedom of Information	19/02/14	COO	Limited	Adequate	8 (1)	6 (1)	0 (0)	2 (0)
<b>Housing rents</b>	<b>03/06/14</b>	<b>CD</b>	<b>Adequate</b>	<b>Adequate</b>	<b>2 (0)</b>	<b>2 (0)</b>	<b>0 (0)</b>	<b>0 (0)</b>
Performance and risk management	16/06/14	CX	Limited	Adequate	12 (0)	10 (0)	0 (0)	2 (0)
<b>Accounts Payable</b>	<b>16/06/14</b>	<b>CFO</b>	<b>No</b>	<b>Adequate</b>	<b>12 (5)</b>	<b>12 (5)</b>	<b>0 (0)</b>	<b>0 (0)</b>
Commissioning	18/07/14	CX	Adequate	Adequate	5 (0)	2 (0)	0 (0)	3 (0)
<b>Software Licensing and management of ICT assets</b>	<b>01/08/14</b>	<b>CFO</b>	<b>Adequate</b>	<b>Adequate</b>	<b>8 (0)</b>	<b>8 (0)</b>	<b>0 (0)</b>	<b>0 (0)</b>
IT Shared Service	15/08/14	CFO	Adequate	Adequate	5 (1)	4 (1)	0 (0)	1 (0)
Asset Management 2013/14	02/10/14	COO	Adequate	Adequate	3 (0)	2 (0)	0 (0)	1 (0)
Community Infrastructure Levy	25/03/15	CD	Adequate	Adequate	11 (2)	4 (0)	2 (2)	5 (0)
New Homes Delivery	08/05/15	CD	Adequate	Adequate	6 (4)	1 (1)	2 (0)	3 (3)
<b>Accounts Payable – follow up</b>	<b>01/06/15</b>	<b>CFO</b>	<b>Adequate</b>	<b>Adequate</b>	<b>8 (4)</b>	<b>8 (4)</b>	<b>0 (0)</b>	<b>0 (0)</b>
Accounts Receivable	01/06/15	CFO	Adequate	Adequate	3 (1)	1 (1)	0 (0)	2 (0)

Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Budgetary Control	01/06/15	CFO	Adequate	Adequate	5 (0)	3 (0)	2 (0)	0 (0)
Housing Options	28/05/15	CD	Limited	Limited	15 (13)	11 (11)	0 (0)	4 (2)
Procurement	01/06/15	CD	Adequate	Adequate	13 (1)	0 (0)	4 (0)	9 (1)
Network management	02/06/15	CFO	Adequate	Adequate	14 (0)	10 (0)	0 (0)	4 (0)
Asset Management 2014/15	30/07/15	COO	Limited	Limited	11 (0)	1 (0)	9 (0)	1 (0)
Information Management	31/07/15	COO	Adequate	Adequate	6 (4)	0 (0)	2 (0)	4 (4)
Orchard Application Review	11/08/15	CD	Adequate	Adequate	5 (3)	4 (3)	1 (0)	0 (0)
Street Care	21/08/15	CD	Adequate	Adequate	10 (0)	9 (0)	1 (0)	0 (0)
Absence Management	21/08/15	CX	Limited	Limited	4 (4)	2 (2)	0 (0)	2 (2)
Environmental Services Contract (joint with EHDC) – Follow Up **	26/08/15	CD	Limited **	Adequate **	5 (0)	0 (0)	2 (0)	3 (0)
Income Collection - Cemeteries	25/06/15	CFO	Limited	Limited	8 (2)	6 (2)	0 (0)	2 (0)
Income Collection - Markets	25/06/15	CFO	Limited	Limited	9 (0)	8 (0)	0 (0)	1 (0)
Income Collection – Animal Licensing	25/06/15	CFO	Limited	Limited	8 (7)	7 (6)	0 (0)	1 (1)
Income Collection - Licensing	01/09/15	CFO	Limited	Limited	9 (9)	0 (0)	2 (2)	7 (7)
Income Collection – Residential Parking Permits	04/11/15	CFO	Limited	Limited	6 (0)	1 (0)	4 (0)	1 (0)


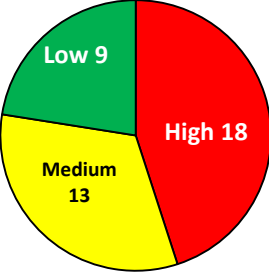
Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
<b>Grants awarded</b>	<b>29/09/15</b>	<b>CD</b>	<b>Adequate</b>	<b>Adequate</b>	<b>3 (1)</b>	<b>3 (1)</b>	<b>0 (0)</b>	<b>0 (0)</b>

\*\* The Environmental Services Contract (joint with EHDC) 2015-16 was a follow-up audit of all the issues identified, and corresponding actions agreed, within the previous audit (report finalised in August 2014). The majority of the original actions have been cleared, addressing the issues identified. Updated actions have been agreed as part of the follow-up review, superseding the small number of actions outstanding from the previous audit.


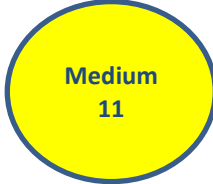
Audit Sponsor	
Corporate Director	CD
Chief Executive	CX
Chief Operating Officer	COO
Chief Finance Officer	CFO

## 5. Executive Summaries of new reports published concluding a 'Limited' or 'No' assurance opinion



### New issues arising


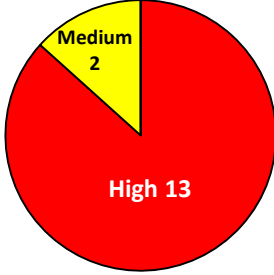
Income Collection										
<p><b>Audit Sponsor:</b> Chief Finance Officer</p> <p><b>Key Contacts:</b> Marriam Baxendale, Kevin Warren, David Ingram, Richard Hein</p> <p><b>Final Report Issued:</b> 4 November 2015</p>	<p><b>Assurance opinion:</b></p> <div style="text-align: center;">  <p>Limited</p> </div>	<p><b>Management Actions:</b></p> <div style="text-align: center;">  <table border="1"> <caption>Management Actions Distribution</caption> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>18</td> </tr> <tr> <td>Medium</td> <td>13</td> </tr> <tr> <td>Low</td> <td>9</td> </tr> </tbody> </table> </div>	Category	Count	High	18	Medium	13	Low	9
Category	Count									
High	18									
Medium	13									
Low	9									
<p><b>Summary of key observations:</b></p> <p>A thematic review of income collection across five areas of the organisation (Cemeteries, Markets, Animal Licensing, Licensing and Residential Parking Permits) was undertaken. Individual reports were issued to each service area. This high level summary provides an overview of the most pertinent observations emanating from these reviews</p> <p>The review highlighted occasions where local procedures were incomplete or absent, and charging policies for fees had not been updated for a number of years.</p> <p>There was no record of the amount of income due for most income types, against which a reconciliation of the income collected and recorded could be completed. Additionally there was a lack of segregation of duties across the collection, banking and recording of income.</p> <p>There are no reconciliations to Civica Financials for most income types, to ensure all income is correctly recorded. Testing identified discrepancies in the amounts recorded with some income being paid to the wrong cost centres, some on-line payments not being posted to cost centres, and the absence of an audit trail for some transactions recorded on Civica Financials.</p> <p>Debt reports are not received or regularly monitored for invoices raised by some (two) departments.</p>										

## Issues previously reported

Asset management 2014/15		
<p><b>Audit Sponsor:</b> Chief Operating Officer</p> <p><b>Key Contacts:</b> Kevin Warren</p> <p><b>Final Report Issued:</b> 30/07/15</p>	<p><b>Assurance opinion:</b></p> <div style="text-align: center;">  <p>Limited</p> </div>	<p><b>Management Actions:</b></p> <div style="text-align: center;">  <p>Medium 11</p> </div>
<p><b>Summary of key observations:</b></p> <p>There are fragmented arrangements for managing the corporate property portfolio which has been further impacted by recent staff turnover.</p> <p>The Asset Management Plan presented in 2011 indicated there would be formal updates on progress and an overview of the corporate property portfolio, e.g. the status of the backlog in repairs. Other than an update in 2013, (and a report to Cabinet in March 2015 since the audit fieldwork had been completed), there has been little in the way of formal reporting to senior management and Members.</p> <p>Other than for major projects, we were unable to identify documented prioritised programmes and plans for maintaining the corporate property portfolio. The Asset Management Plan 2011 contains a high level expression of intent to maintain properties and the overall estimated funding. Provision for repairs and maintenance are provided for in the budget. Although detailed property condition surveys were seen at the time of the audit, we were unable to see an over-arching planned programme for maintenance activities, and concluded that largely, the budget is a driving factor in the maintenance work that can be afforded. We are assured that safety aspects are dealt with when they are identified. An inspection programme was produced after the audit fieldwork was completed, and it is the role of a post (currently vacant) to bring together the condition surveys and the inspection programme.</p> <p>The Estates filing system for maintaining the corporate property records is highly reliant on officers' knowledge, and it is difficult for new officers to find the information. There is a project underway to rationalise the filing system, but at the time of the audit, we are unable to provide assurances that there are adequate records covering the repair and maintenance histories for each property.</p> <p>There is a central log for repairs, and improvements in the quality of recording information is evident. However, there is a high reliance on individual officers' knowledge regarding repairs and their progress.</p>		

*Current position – the target dates for the implementation of 9/11 management actions have not yet been reached. One action has been completed and one is overdue.*

<b>Absence management</b>		
<p><b>Audit Sponsor:</b> Chief Executive</p> <p><b>Key Contacts:</b> Alison Gavin, Jamie Cann, Julie Johnson</p> <p><b>Final Report Issued:</b> 21/08/15</p>	<p><b>Assurance opinion:</b></p> <div style="text-align: center;">  <p>Limited</p> </div>	<p><b>Management Actions:</b></p> <div style="text-align: center;">  <p>High 4</p> </div>
<p><b>Summary of key observations:</b></p> <p>The manager and employee guidance was not always concurrent, and managers were confused as to the appropriate process to follow for reporting, monitoring and managing sickness absence.</p> <p>Selima was not always being used for the monitoring and recording sickness information, and in some circumstances, relevant documents were retained locally rather than being recorded on Selima.</p> <p>Manager monitoring and improvement plans were not always in place and evident for long term and persistent levels of sickness absence.</p> <p><i>Current position – progress has been made in the implementation of the management actions, as two have been cleared but two are now overdue. All these had been categorised as a high priority.</i></p>		

<b>Housing Options</b>		
<p><b>Audit Sponsor:</b> Corporate Director</p> <p><b>Key Contacts:</b> Steve Tilbury – Corporate Director; Alexis Garlick – Chief Finance Officer; Stephen Whetnall – Chief Operating Officer; Tracey Hendren – Head of Housing Options &amp; National Support; Gillian Knight- Housing Options Manager; Richard Botham-Head of Housing; Simon Howson-Corporate Business Manager</p> <p><b>Final Report Issued:</b> 28 May 2015</p>	<p><b>Assurance opinion:</b></p> <div style="text-align: center;">  <p>Limited</p> </div>	<p><b>Management Actions:</b></p> <div style="text-align: center;">  <p>High 13 Medium 2</p> </div>
<p><b>Summary of key observations:</b></p> <p>This review focussed on the allocation and monitoring of loan payments issued through the private housing options team under the homelessness provision. Since 2012, £177,000 has been allocated against private housing options and as at February 2015 £140,000 remained outstanding. At the time of the audit, there was no formal debt recovery policy or procedures in place.</p> <p>For five of the nine cases tested, there was no evidence of an independent review of the approval of the loan. In one case, there was no independent evidence from the landlord of the deposit and rental amounts, and for two cases there was no evidence to support the landlord eligibility checks for energy.</p> <p>In two cases, the monthly loan payments paid differed to the amount that had been agreed to be paid, and we found one tenant who has two loans, neither of which is being repaid.</p> <p><i>Current position – progress has been made since the last progress report in the implementation of the management actions, as 11 actions have been cleared. Four are overdue.</i></p>		

## 6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2014 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2014	01.04.15 – 31.10.15
<b>Part 2 Requirements - Fraud</b>	
<b>Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used</b>	Nil
<b>Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud</b>	2 fte*
<b>Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists</b>	3 fte
<b>Total amount of time spent by the authority on the investigation and prosecution of fraud</b>	4 days
<b>Total number of new fraud cases investigated</b>	0**

\*relates to internal audit staff within the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, departmental investigating officers, Housing Benefits etc.)

\*\*the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'*

## 7. Planning & Resourcing

The internal audit plan for 2015-16 was prepared following meetings with the senior management and Service Managers and was presented to the Audit Committee in March 2015. The audit plan remains fluid to ensure audit resource is effectively aligned to the Council's needs. Progress against the plan is detailed within section 8.



## 8. Rolling Work Programme

Audit title	Audit Progress					Final report issued	Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
<b>2014-15 Carry Forward Reviews</b>							
Information management	✓	✓	✓	✓	✓	✓	Adequate
Asset management	✓	✓	✓	✓	✓	✓	Limited
Absence management	✓	✓	✓	✓	✓	✓	Limited
Grant award	✓	✓	✓	✓	✓	✓	Adequate
Income collection	✓	✓	✓	✓	✓	✓	Limited
Orchard application	✓	✓	✓	✓	✓	✓	Adequate
Street care	✓	✓	✓	✓	✓	✓	Adequate
Museum Trust – transfer of assets	✓	✓	✓	✓	✓		
<b>2015-16 Reviews</b>							
<b>Corporate cross cutting</b>							
Corporate planning and performance management							

Audit title	Audit Progress					Final report issued	Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Risk management							
Procurement							
Flexible working							
Training and development	✓	✓	✓	✓			
Contract management							
National Fraud Initiative (NFI)	N/a	✓					
<b>Corporate governance</b>							
Proactive fraud initiatives – fraud risk register/ analytics	✓	✓					
Special investigation							
Mayor's Charity Account	✓	✓	✓				
Business continuity	✓	✓	✓	✓			
Local Government Transparency Code 2014	✓	✓					
<b>Financial management</b>							

Audit title	Audit Progress					Final report issued	Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Housing rents and debt management	✓	✓	✓	✓	✓		Adequate
Benefits	✓	✓	✓				
Car Parks	✓	✓					
Accounts Payable	✓	✓					
Main accounting (reconciliations)	✓						
Rent and service charges	✓	✓	✓	✓	✓		Substantial
Capital programme	✓						
Taxation	✓	✓	✓				
Additional payments	✓	✓	✓				
Repairs and Renewal Grant	✓	✓	✓	N/a	N/a		N/a
Disabled Facilities Grant	✓	✓	✓	N/a	N/a		N/a
<b>Information technology</b>							
ICT shared service, IT strategy, and assurance mapping							

Audit title	Audit Progress					Final report issued	Opinion
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued			
Telecommunications							
<b>Corporate priorities / Service audits</b>							
Guildhall							
Environmental Services Contract (joint with EHDC)	✓	✓	✓	✓	✓		Adequate
Landscape	✓						
Station Approach							
Fieldfare Leader Funding 2015/2021							
Contract management - follow up							