

Internal Audit Progress Report

February 2016

Winchester City Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Status of 'live' reports	6
5.	Executive summaries 'Limited' and 'No' assurance opinions	9
6.	Fraud and Irregularities	14
7.	Planning and resourcing	15
8.	Rolling work programme	15

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' 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

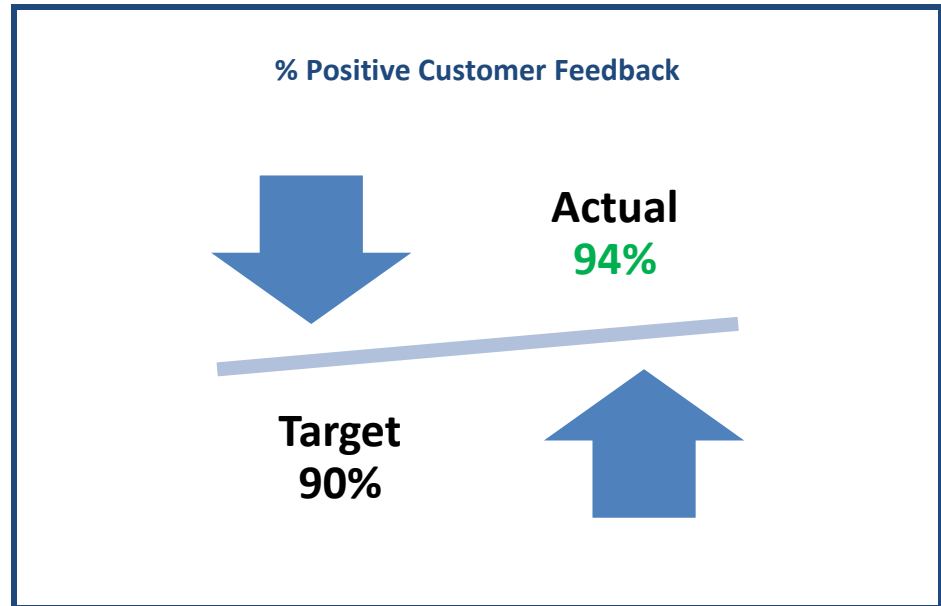
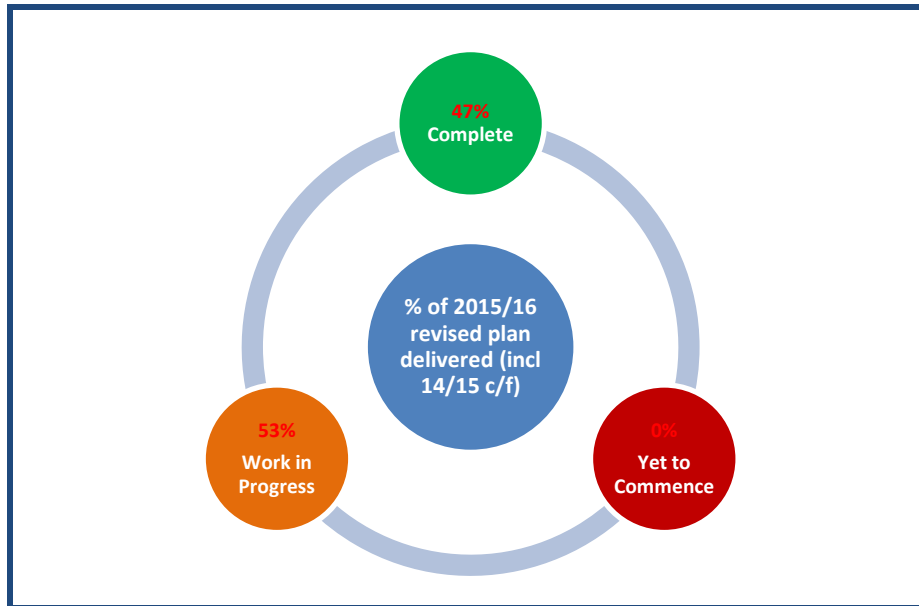
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

- 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:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	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
Limited	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
No	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



Compliance with Public Sector Internal Audit Standards / Local Government Application Note



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:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).*

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Covalent is currently showing 7 outstanding actions relating to audit reports issued prior to 2013-14. This position has not changed since the previous progress report 03 December 2015. 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	CX	Limited	8 (1)	0 (0)	0 (0)	6 (1)	2 (0)
Performance and Risk Management	16/06/14	CX	Limited	12 (0)	0 (0)	0 (0)	12 (0)	0 (0)
Commissioning	18/07/14	CX	Adequate	5 (0)	0 (0)	0 (0)	2 (0)	3 (0)
IT Shared Service	15/08/14	CPS	Adequate	5 (1)	0 (0)	0 (0)	4 (1)	1 (0)
Asset Management 2013/14	02/10/14	CX	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
Community Infrastructure Levy	25/03/15	CD	Adequate	11 (2)	0 (0)	2 (2)	4 (0)	5 (0)
New Homes Delivery	08/05/15	CD	Adequate	6 (4)	0 (0)	0 (0)	4 (4)	2 (0)
Housing Options	28/05/15	CD	Limited	15 (13)	0 (0)	0 (0)	14 (13)	1 (0)
Budgetary Control	01/06/15	HoF	Adequate	5 (0)	0 (0)	1 (0)	3 (0)	1 (0)
Accounts Receivable	01/06/15	HoF	Adequate	3 (1)	0 (0)	0 (0)	1 (1)	2 (0)
Procurement	01/06/15	HoLDS	Adequate	13 (1)	0 (0)	0 (0)	5 (1)	8 (0)

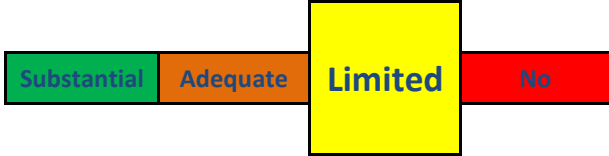
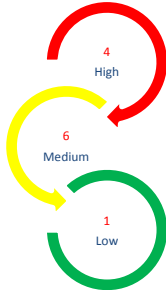
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Network Management	02/06/15	CPS	Adequate	14 (0)	0 (0)	0 (0)	11 (0)	3 (0)
Income Collection – Cemeteries	25/06/15	CD	Limited	8 (2)	0 (0)	0 (0)	8 (2)	0 (0)
Income Collection - Markets	25/06/15	CX	Limited	9 (0)	0 (0)	0 (0)	8 (0)	1 (0)
Income Collection – Animal Licensing	25/06/15	CD	Limited	8 (7)	0 (0)	0 (0)	8 (7)	0 (0)
Asset Management 2014/15	30/07/15	CX	Limited	11 (0)	0 (0)	9 (0)	1 (0)	1 (0)
Information Management	31/07/15	HoLDS	Adequate	6 (4)	0 (0)	0 (0)	1 (1)	5 (3)
Orchard Application Review	11/08/15	CD	Adequate	5 (3)	0 (0)	1 (0)	4 (3)	0 (0)
Street Care	19/08/15	CD	Adequate	10 (0)	0 (0)	0 (0)	9 (0)	1 (0)
Absence Management	21/08/15	CX	Limited	4 (4)	0 (0)	0 (0)	4 (4)	0 (0)
Environmental Services Contract (joint with EHDC)	26/08/15	CD	Adequate	5 (0)	0 (0)	1 (0)	3 (0)	1 (0)
Income Collection – Licensing	01/09/15	CD	Limited	9 (9)	0 (0)	1 (1)	0 (0)	8 (8)
Housing Rents and Debt Management	05/10/15	CD	Adequate	8 (0)	0 (0)	4 (0)	0 (0)	4 (0)
Rent and Service Charges	05/10/15	CD	Substantial	1 (0)	0 (0)	0 (0)	0 (0)	1 (0)
Income Collection – Residential Parking Permits	04/11/15	CD	Limited	6 (0)	0 (0)	1 (0)	3 (0)	2 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Local Government Transparency Code 2015 – 2015/16	25/01/16	CX	Adequate	6 (0)	0 (0)	5 (0)	1 (0)	0 (0)
Training and Development	18/02/16	CX	Limited	11 (4)	0 (0)	3 (2)	7 (1)	1 (1)
Benefits	18/02/16	HoF	Adequate	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)

Audit Sponsor	
Corporate Director	CD
Chief Executive	CX
Head of Finance	HoF
Corporate Director – Professional Services	CPS
Head of Legal and Democratic Services	HoLDS

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

New issues arising

Training and development		
<p>Directorate Sponsor: Chief Executive Key Contacts: Alison Gavin</p> <p>Final Report Issued: 18/02/16</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>There are Appraisal Guidelines and a Training Policy in place to support the appraisal process and provisions for training. However, further review of these documents found that they are dated April 2012 and November 2002 respectively. Discussions also highlighted that new managers may not have received sufficient training and guidance to ensure they are completing appraisals correctly.</p> <p>Through reports obtained from Selima relating to the completion of appraisals, it was identified that at the time of the report (June 2015) appraisals remained outstanding for a high proportion of staff (18%). This had been reported to PMT, CMT, and Personnel Committee. Contact is made with department heads to discuss potential training needs if appraisals have not been completed.</p> <p>Our audit included a review of the training portal – Aspire, provided via a partnership arrangement with Eastleigh Borough Council. Through staff survey results and discussions with staff we found that the portal is not being accessed regularly and incorporated within day to day business. Results also found that staff feel that there isn’t always enough information and training available through the portal.</p>		

Our review of the portal found that work is currently being carried out by the E-Learning and Development Officer to review and update the information available. Work is also being undertaken to ensure that the system is more user-friendly by streamlining applications to reduce keystrokes and improve navigation. The portal is due for re-launch in November 2015.

Current position – Of the 11 actions identified, three actions have been completed, seven are pending and one is overdue.

Issues previously reported

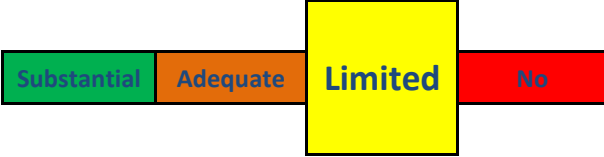
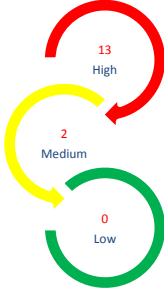
Asset Management		
<p>Directorate Sponsor: Chief Executive</p> <p>Key Contacts: Kevin Warren</p> <p>Final Report Issued: 30/07/15</p>	<p>Assurance opinion:</p> <div style="text-align: center;"> </div>	<p>Management Actions:</p> <div style="text-align: center;"> </div>
<p>Summary of key observations:</p> <p>There are fragmented arrangements for managing the corporate property portfolio which has been further impacted by recent staff turnover. 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</p>		

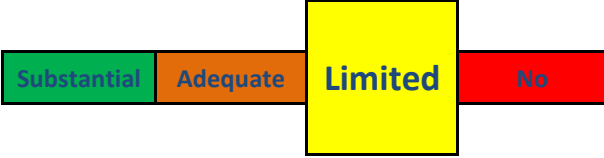
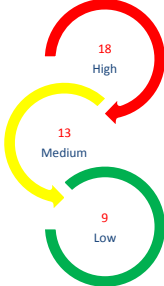
seen at the time of the audit, we were unable to see an over-arching planned programme for maintenance activities, and concluded that largely, the budget is a driving factor in the maintenance work that can be afforded. We are assured that safety aspects are dealt with when they are identified. An inspection 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.

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.

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.

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. This position has not changed since the last progress report.

Housing Options		
<p>Directorate Sponsor: Corporate Director Key Contacts: Steve Tilbury – Corporate Director; Alexis Garlick – Chief Finance Officer; Stephen Whetnall – Chief Operating Officer; Tracey Hendren – Head of Housing Options & National Support; Gillian Knight- Housing Options Manager; Richard Botham-Head of Housing; Simon Howson-Corporate Business Manager</p> <p>Final Report Issued: 28 May 2015</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</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 14 actions have been cleared, and one is overdue.</i></p>		

Income Collection		
<p>Directorate Sponsor: Chief Executive, Corporate Director</p> <p>Key Contacts: Marriam Baxendale, Kevin Warren, David Ingram, Richard Hein</p> <p>Final Report Issued: 4 November 2015</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</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. 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> <p><i>Current position – progress has been made since the last progress report in the implementation of the management actions, as the actions are all cleared for Animal Licensing and Cemeteries. For the remaining 24 actions, 11 are cleared, 11 are overdue, and two are pending.</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	01.04.15-31.01.16
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	6 days
Total number of fraud cases investigated	0 **

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers 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 approved by the Council's Management Team and the Audit Committee in March 2015.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✘ Delay)	Comment
2014-15 Carry Forward Reviews									
Information management	HoLDS	✓	✓	✓	✓	✓	Adequate	✓	
Asset management	CD	✓	✓	✓	✓	✓	Limited	✓	
Absence management	CX	✓	✓	✓	✓	✓	Limited	✓	
Grant award	CD	✓	✓	✓	✓	✓	Adequate	✓	
Income collection	CD	✓	✓	✓	✓	✓	Limited	✓	
Orchard application	CD	✓	✓	✓	✓	✓	Adequate	✓	
Street care	CD	✓	✓	✓	✓	✓	Adequate	✓	
Museum Trust – transfer of assets	CD	✓	✓	✓	✓			✘	Management actions received and draft final report now issued

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
2015-16 Reviews									
Corporate cross cutting									
Corporate planning and performance management	All	✓	✓	✓				✓	
Risk management	CX	✓	✓	✓				✓	
Training and development	CX	✓	✓	✓	✓	✓	Limited	✓	
Contract management	All	✓	✓	✓				✓	
Corporate governance									
Proactive fraud initiatives – fraud risk register/ analytics	HoF	N/a	N/a	✓				✓	
National Fraud Initiative (NFI)	HoF	N/a	N/a	✓				✓	
Mayor's Charity Account	HoF	✓	✓	✓	N/a	N/a	N/a	✓	
Business continuity	All	✓	✓	✓	✓			✓	
Local Government Transparency Code 2015	CX	✓	✓	✓	✓	✓	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Financial management									
Housing rents and debt management	CD	✓	✓	✓	✓	✓	Adequate	✓	
Benefits	CPS	✓	✓	✓	✓	✓	Adequate	✓	
Car Parks	CD	✓	✓	✓	✓			✓	
Accounts Payable	HoF	✓	✓	✓				✓	
Main accounting (reconciliations)	HoF	✓	✓	✓	✓			✓	
Rent and service charges	CD	✓	✓	✓	✓	✓	Substantial	✓	
Capital programme	HoF	✓	✓	✓				✓	
Taxation	HoF	✓	✓	✓	✓			✓	
Additional payments	HoF	✓	✓	✓	✓			✓	
Repairs and Renewal Grant	CD	N/a	N/a	✓	N/a	N/a	N/a	✓	
Disabled Facilities Grant	CD	N/a	N/a	✓	N/a	N/a	N/a	✓	
Information technology									
ICT shared service, strategy and assurance mapping	CPS	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Corporate priorities / Service audits									
Guildhall	CX	✓	✓	✓				✓	
Environmental Services Contract (joint with EHDC)	CD	✓	✓	✓	✓	✓	Adequate	✓	
Landscape	CD	✓	✓	✓				✓	
Fieldfare Leader Funding 2015/2021	CD	✓	✓	✓				✓	
Contract management – follow up	CD	✓	✓	✓				✓	