



SOUTHAMPTON
CITY COUNCIL

Internal Audit Progress Report

14th February 2022

Elizabeth Goodwin, Chief Internal Auditor

1. Introduction

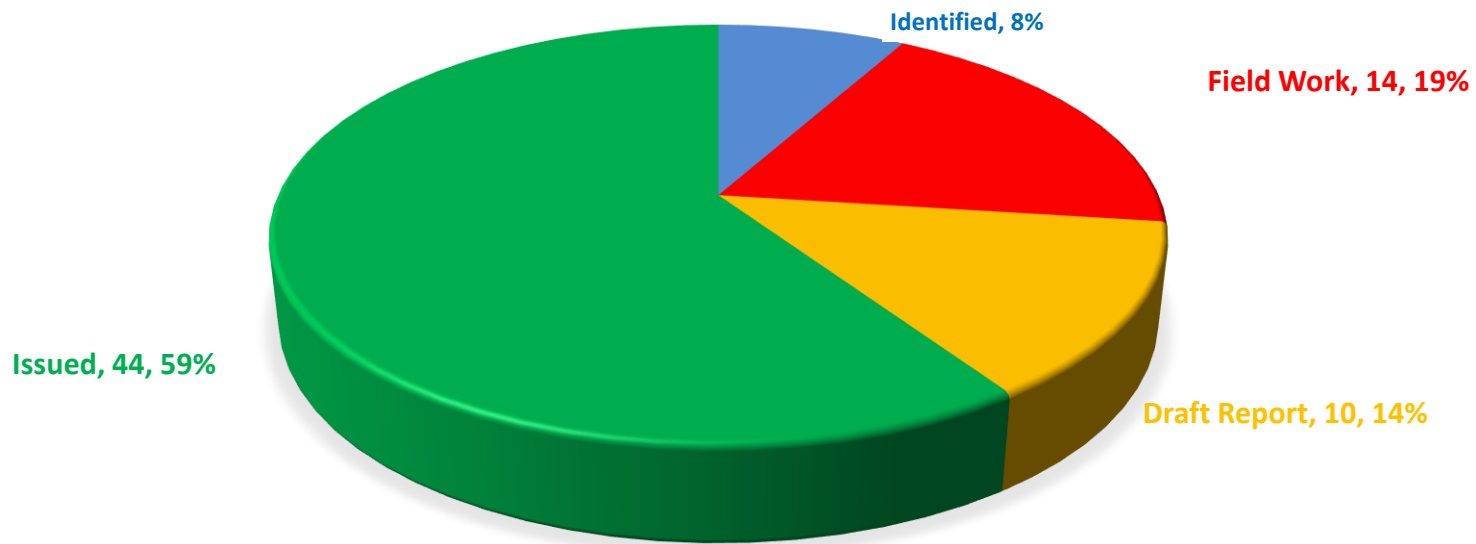
This report includes the status against the 2021/22 internal audit plan for this reporting period (30th October 2021 to 24th January 2022).

In summary 92% of the 2021/22 plan has been concluded or are in progress. All items yet to be fully completed will be finalised by the end of the financial year to enable an annual opinion to be given.

There are currently no 'no assurance' reports or critical exceptions contained in this report for this period. Progress has been made implementing agreed actions despite significant pressures across the organisation with the ongoing COVID-19 requirements. In addition to this, it is positive to note that the internal control environment specifically in relation to compliance has also improved.

All items completed since the last committee attendance are detailed at a summary level in this report. This includes, full audits, follow up work and grant work completed.

2. Audit Plan Progress as of 24th January 2022



There are a total of 74 reviews in the 2021/22 Audit Plan. The previous position was at 29th October 2021, the current is as at 24th January 2022.

To date, 68 (92%) have been completed or are in progress as at 24th January 2022. This represents 44 (59%) audits where the report has been finalised, 10 (14%) where the report is in draft and 14 (19%) audits currently in progress.

Status	Previous Position	Current Position
Identified	28	6
Fieldwork	18	14
Draft Report	5	10
Final Report	26	44
Total	77	74

3. Audit Plan Status/Changes

The Audit Plan has been more flexible this year to take into account the additional work noted above. Since the last reporting period the following should be noted; **Additions, removals and amendments to the 2021/22 Audit Plan:**

- Addition – Mount Pleasant School – Due a follow up audit review
- Addition – St Monica School – Due a follow up audit review
- Addition – Additional Home to School Survey – Requirement for audited figures by Department for Education.
- Addition – Bus Restart Grant – The scheme has now finished.
- Removed – Music Service – Removed to accommodate the addition of the two school reviews.
- Removed – Accounts Receivable – Removed due to staffing pressures, it has been audited annually.
- Removed – Carers (Care Act) – Removed as actions are post 31st March 2022 so will be picked up in the next financial year.
- Removed - Deferred Payments - Removed due to staffing pressures
- Removed - HMO Licensing - Removed due to staffing pressures
- Removed - Safety Compliance (Tower Blocks) - Removed due to staffing pressures
- Removed - Contract & procurement ICU F/U - Removed due to staffing pressures

4. Areas of Concern

There are no 'no assurance' opinion audits being reported on this period, all other findings are noted below.

5. Assurance Levels

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 for the area under review.

Assurance Level	Description / Examples
Assurance	<i>No issues or minor improvements noted within the audit but based on the testing conducted, assurance can be placed that the activity is of low risk to the Authority</i>
Reasonable Assurance	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
Limited Assurance	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
No Assurance	<i>Major individual issues identified or collectively a number of issues raised which could significantly impact the overall objectives of the activity that was subject to the Audit</i>
NAT	<i>No areas tested</i>

Audits rated No Assurance are specifically highlighted to the Governance Committee along with any Director's comments. The Committee is able to request any director attends a meeting to discuss the issues.

6. Exception Risk Ranking

The following table outline the exceptions raised in audit reports, reported in priority order and are broadly equivalent to those previously used.

Priority Level	Description
Low Risk (Improvement)	<i>Very low risk exceptions or recommendations that are classed as improvements that are intended to help the service fine tune its control framework or improve service effectiveness and efficiency. An example of an improvement recommendation would be making changes to a filing system to improve the quality of the management trail.</i>
Medium Risk	<i>These are control weaknesses that may expose the system function or process to a key risk but the likelihood of the risk occurring is low.</i>
High Risk	<i>Action needs to be taken to address significant control weaknesses but over a reasonable timeframe rather than immediately. These issues are not 'show stopping' but are still important to ensure that controls can be relied upon for the effective performance of the service or function. If not addressed, they can, over time, become critical. An example of an important exception would be the introduction of controls to detect and prevent fraud.</i>
Critical Risk	<i>Control weakness that could have a significant impact upon not only the system function or process objectives but also the achievement of the Council's objectives in relation to: The efficient and effective use of resources, The safeguarding of assets, The preparation of reliable financial and operational information, Compliance with laws and regulations and corrective action needs to be taken immediately.</i>

Any critical exceptions found the will be reported in their entirety to the Governance Committee along with Director's comments

7. 2021/22 Audits completed since the last reporting period

National Non-Domestic Rates (NNDR)

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of Strategic Objectives	Assurance
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	No Areas Tested

No concerns have been raised as a result of this review; therefore, Internal Audit can offer assurance that NNDR processes are working effectively during the period of testing.

Council Tax

Exceptions Raised

Critical	High	Medium	Low
0	0	1	1

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

Achievement of Strategic Objectives	Assurance
Compliance with Policies, Laws & Regulations	Reasonable
Safeguarding of Assets	Reasonable
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	No Areas Tested

The medium risk raised, relates to testing of 25 accounts where a discount had been applied and 1/25 had been due a follow up review awaiting a probate decision, however, the account was yet to be updated. The low risk related to testing of 25 write-offs where findings identified 1/25 that did not hold evidence of recovery action, this related to a 2016 period.

School Deficits
Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Limited
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	Assurance

The first high risk relates to the Scheme for Financing Schools (SFFS) document which should be completed if the school are anticipating a deficit budget. For three deficit schools testing reviewed 3 sets of governing body minutes for the meetings where the 2021/22 budget was agreed, testing found that zero of the three complied with the steps required in the SFFS. The second high risk relates to a review of deficit recovery plans finding that 5 deficit schools did not have a deficit recovery plan with 2 of the deficits occurring in 2020/21 and the final 3 schools having been in deficit since at least 2016/17. Action has been taken by the Authority to resolve these deficits.

Travel and Expenses
Exceptions Raised

Critical	High	Medium	Low
0	4	5	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Limited
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

The first high risk relates to where testing identified 4,777 of 67,856.43 total mileage value included home in the description, a sample of 10 were reviewed which found 8/10 covered commuter mileage. The second high risk relates to where testing identified that from 10 mileage claimants, 2/10 did not have business insurance. The third high risk relates to subsistence expenses which found 4/10 claims tested had split values and did not comply with the agreed limits, 2/10 of which had unclear receipts. The fourth high risk relates to contractual car user allowance testing finding 3/10 were recorded as not needing an allowance for their role. The medium risks relate to long journey claims not justifying the use of own vehicles, subsistence claims being made for clients/young persons, 2/10 hotel expenses being over the daily allowance (11% on average), 862 claims were over the 6 month limit and finally allowances were applied incorrectly for first aid and fire marshals.

Feeder Systems
Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	No Areas Tested
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	Limited
Reliability and Integrity of Data	No Areas Tested

The first high risk relates to extracted data from feeder systems requiring significant manual checks/work, due to a lack of automated validation of source system data going into Business World, with the current level of checking being inconsistent between services. The second high risk relates to there being three key single points of failure in the infrastructure supporting bulk data feeds into Business World. The third high risks related to temporary servers being used to hold data files transiting from source systems to Business World. Finally, the medium risk relates to multiple manual steps required for data transfer into Business World for nine systems tested.

Operator Licence
Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Limited
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

The first high risk relates to where testing has identified a lack of a Driver policy, outlining responsibilities and requirements for complying with the operator's licence. The second high risk relates to a backlog of driver infringements which were not actioned promptly at the time of the infringement and a lack of enforcement action as a result of tachograph infringements. The third high risk relates to a lack of senior/executive management oversight on the performance on the authority in complying with operator licence requirements. The medium risk relates to Tranman Safety Inspection Records not working to optimal capacity and recording a number of safety inspections which audit verified had been undertaken.

Deprivation of Liberty Safeguards (DoLS)
Exceptions Raised

Critical	High	Medium	Low
0	5	0	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Limited
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	Limited
Reliability and Integrity of Data	No Areas Tested

The first high risk relates to where testing had identified 10 out of 10 urgent referrals had failed to meet the 7 day authorisation deadline. The second high risk identified that while the monitoring of DoLS applications being very robust and proactive, the availability of staff members to take on new cases and lack of internal communication between departments meant that the DoLS applications were not completed in a timely manner. The third high risk relates to testing of a sample of signed Independent DoLS Mental Capacity Advocacy and Paid Relevant Person's Representative forms, where 3/10 were signed and returned within a month of being referred and the remaining 7 being outstanding of this period. The fourth high risk relates to individual records being on file three years after death which is not compliant with the Care Act Standards 2000. The final high risk relates to 4/10 external assessors having an overdue DBS check.

Shirley Warren Primary School
Exceptions Raised

Critical	High	Medium	Low
0	3	4	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

Achievement of Strategic Objectives	Limited
Compliance with Policies, Laws & Regulations	Reasonable
Safeguarding of Assets	Limited
Effectiveness and Efficiency of Operations	Reasonable
Reliability and Integrity of Data	No Areas Tested

The first high risk relates to where testing identified responses to 3 Schools Financial Values Standards (SFVS) questions not being compliant with best practice guidance. The second high risk relates to the retention of staff confidential records, which required disposal. The third high risk relates to the school inventory not being compliant with expected requirements. For the medium risks these cover areas relating to; purchase orders only being raised for 1/6 purchases sampled, the Business Continuity Plan being out of date (November 2017), a lack of a CCTV policy and finally there has been no Finance Lead allocated or bottom-line budgetary figures reported to the Governing Body for the period reviewed.

List of Completed Grants

Grant Outcomes:	Assurance/Certified
Additional Home to School Transport Survey	
Bus Support Restart Grant	
Culture Recovery Plan	
Disabled Facilities Grant	
Income Loss Claim - No certification is required for this claim, however checks performed by Internal Audit was in support of assertions and statements submitted. Therefore no areas of concern were found.	

8. 2021/22 Follow-up Audits completed since the last reporting period

St Monica Primary School – 2nd Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	4	1	0

Latest implementation date scheduled was June 2021.
Revised date: N/A

Original Assurance Level

Reasonable

2nd Follow Up Level

Assurance

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High)	0	3 (High) 1 (Medium)	0	0	0

Follow up testing was able to close three high risks and one medium risk. The remaining high risk relates to budget monitoring, whilst highlighted there has been a favourable movement in the overall budget position although the deficit still remain.

Care Leavers – 2nd Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Latest implementation date scheduled was December 2020.
Revised date: March 2022

Original Assurance Level

Reasonable

2nd Follow Up Level

Reasonable

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	1 (High)	1 (Medium)	0	0	1 (Medium)

Follow up testing was able to close both medium risk exceptions. The remaining high risk has not been closed as testing identified residue issues in the timeliness of case supervision, although there has been improvement.

Flood Risk Management – 2nd Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Latest implementation date
 scheduled was March 2021
 Revised date: March 2022

Original Assurance Level

Reasonable

Follow Up Assurance Level

Reasonable

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	2 (Medium)	0	1 (High)	0	0	0

Follow up testing was able to close the high risk exception. The first medium risk that remains in progress relates to the Local Flood Management Strategy not having been completed. The second medium risk relates to incomplete flood records while the service awaits IT to construct the online form.

Recruitment and Retention – 1st Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	4	0	0

Latest implementation date
 scheduled was June 2021
 Revised date: May 2022

Original Assurance Level

Limited

Follow Up Assurance Level

Reasonable

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	2 (High)	0	2 (High)	0	0	0

Follow up testing was able to close two high risk exceptions. The first high risk in progress, relates to a new talent management/succession planning tool looking to be implemented by the end of March 2022. The second high risk relates to recruitment training for managers having been implemented but awaiting a list of mandatory training.

Pension– 1st Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Original Assurance Level

Limited

Follow Up Assurance Level

Limited



Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	0	0	0	0	0	0

In summary, SCC have received positive feedback from the Hampshire Pension Fund (HPF) regarding their ongoing commitment to ensuring that pension returns are accurate and timely, however SCC maintained schools are an ongoing concern. Joint meetings between schools, SCC, payroll providers and HPF have been helpful in identifying areas for improvement and it is hoped that the meeting outcomes will assist with future return compliance.

9. Follow-up Action Categorisation

The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

Follow Up Categories	Description
Open	<i>No action has been taken on agreed action.</i>
Pending	<i>Actions cannot be taken at the current time but steps have been taken to prepare.</i>
In Progress	<i>Progress has been made on the agreed action however they have not been completed.</i>
Implemented but not Effective	<i>Agreed action implemented but not effective in mitigating the risk.</i>
Closed: <i>Verified</i>	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: <i>Not Verified</i>	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: <i>Management Accepts Risk</i>	<i>Management has accepted the risk highlighted from the exception.</i>
Closed: <i>No Longer Applicable</i>	<i>Risk exposure no longer applicable.</i>

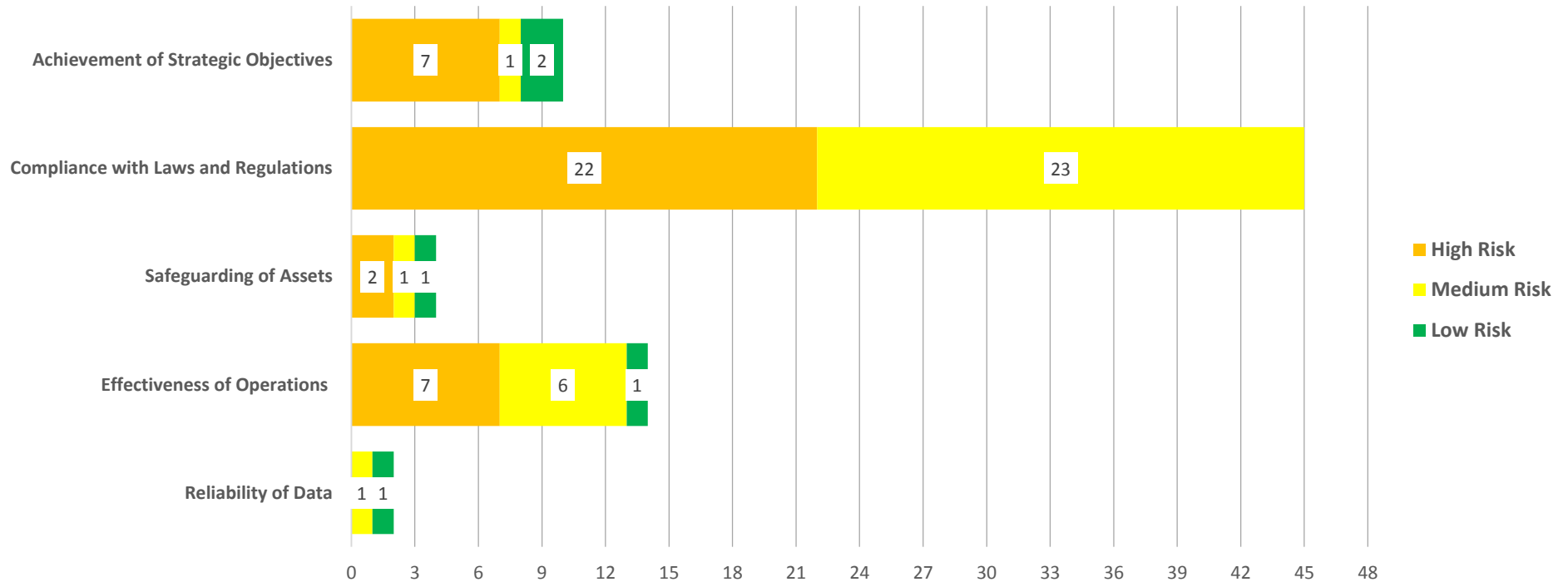
10. Audits in Draft

Audit	Directorate	Projected Reporting	Revised	Comments
Bank Account	Finance	April 2022		
Blue Badge	Wellbeing (Health & Adults)	April 2022		
Business World	Finance	April 2022		
Direct Payments Children	Wellbeing (Children & Learning)	April 2022		
Fleet Management	Place	April 2022		
Housing Rents and Arrears	Finance	April 2022		
IT Procurement and Disposal	Business Services	April 2022		
Parking (Income Collection)	Place	April 2022		
Public Protection Notices	Wellbeing (Children & Learning)	April 2022		
Short Breaks	Wellbeing (Children & Learning)	April 2022		

11. Audits in Progress

Audit	Directorate	Comments
Adult Safeguarding	Wellbeing (Health & Adults)	
Child Protection Planning	Wellbeing (Children & Learning)	
Contract Management ICU	Wellbeing (Health & Adults)	
Direct Payments	Wellbeing (Health & Adults)	
Emergency Procedures / Fire Safety	Communities, Culture & Homes	
Families Matter Grant	Wellbeing (Children & Learning)	
Ground Maintenance	Place	
Mandated Services	Wellbeing (Health & Adults)	
Mount Pleasant School	Wellbeing (Children & Learning)	
Paris replacement (CareDirector)	Wellbeing (Children & Learning)	
Public Health Outcomes	Wellbeing (Health & Adults)	
Ridge Review Project Progress	Place	
Supplier Performance	Finance & Commercialisation	
Woodlands Secondary School	Wellbeing (Children & Learning)	

12. Exception Analysis to Date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk	7	22	7		2	38
Medium Risk	1	23	6	1	1	32
Low Risk - Improvement	2		1	1	1	5
Grand Total	10	45	14	2	4	75