Internal Audit Progress Report
2nd October 2023

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1. Introduction

This report includes the status against the 2023/24 internal audit plan for this reporting period (1st April to 11th September 2023). In summary 46% audits from the 2023/24 plan have been concluded or are in progress.

While there are currently no 'no assurance' reports or critical exceptions contained in this report for this reporting period. The report does contain the executive summary of the 'no assurance' Appointeeship report which was issued as part of the previous 2022/23 audit plan. Key areas of concern are identified on page 5 with the executive summary provided in Appendix 2.

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 11th September 2023

Issued, 12, 17%

Draft Report, 3, 4%

Identified, 39, 55%

Field Work, 17, 24%
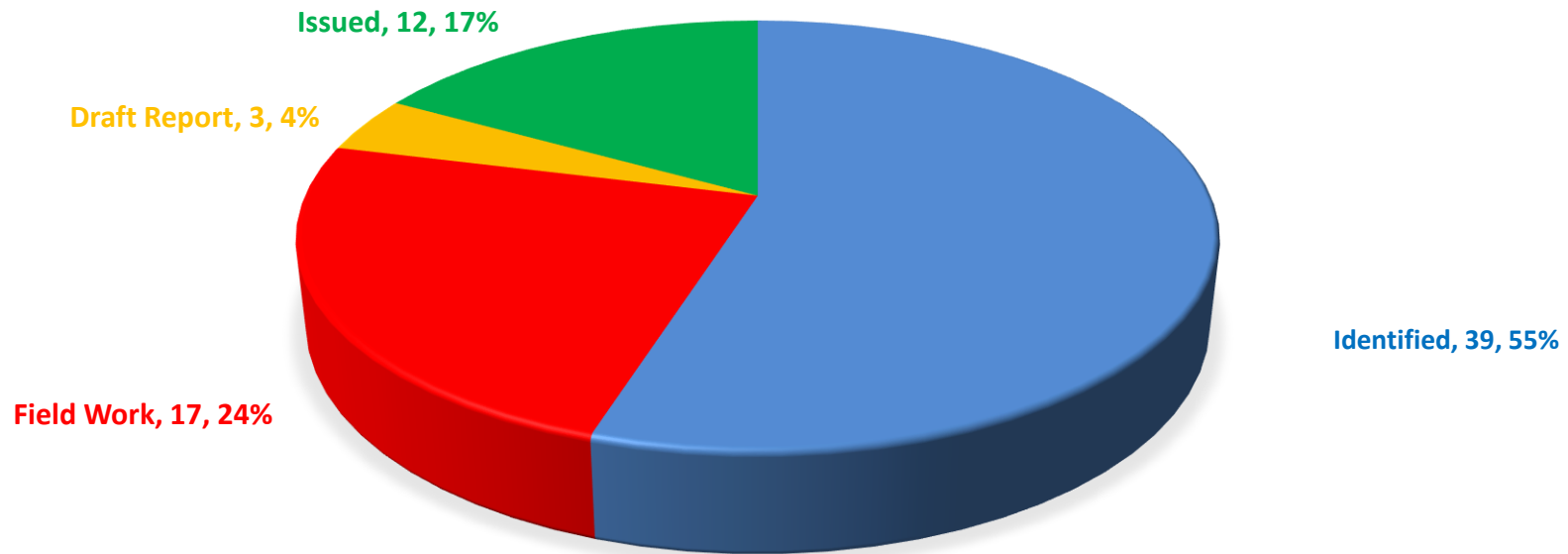
There are a total of 71 reviews in the 2023/24 Audit Plan as of 11th September 2023.

To date, 45% of audits have been completed or are in progress as of 11th September. This represents 12 (17%) audits where the report has been finalised, 3 (4%) where the report is in draft and 17 (24%) audits currently in progress.

Status	Current Position
Identified	39
Fieldwork	17
Draft Report	3
Final Report	12
Total	71

3. Audit Plan Status/Changes

The Audit Plan has remained flexible to take into account emerging or escalating risk exposure. Since the last reporting period the following should be noted; **Additions, removals, and amendments to the 2023/24 Audit Plan:**

- Addition – Childcare Payments – added due to issues identified with payment processes.
- Addition – Recruitment and Budgeted Posts – added to plan due to concerns raised around integrity of data
- Addition – IT Skills Review – added to the plan due to outcome of CareDirector review.
- Addition – Acquisition of One Guildhall Square – added to plan due to concerns raised to Internal Audit by Directorate.
- Addition - Family Hub & Start for Life Capital S31 – added to plan to perform a grant verification.
- Removed – Adult Safeguarding – higher risks identified in other areas.
- Removed – Expenses, Travel & Subsistence – a process review for purchase cards was undertaken this financial year. In addition support is being provided by Internal Audit in relation to non-compliance with financial rules.
- Removed – Starters and Leavers – project is in its infancy stage and will be in a better position to review next year (part of government funding).
- Removed - IT Automation – transformation work is currently being carried out.

All the audits removed above will now be considered as part of the 2024/25 audit plan.

4. Areas of Concern

<u>Appointeeship Audit</u>

Three full audits (2018/19, 2020/21, and the current audit) and a fourth independent end to end process review (2021) as well as numerous follow up audits have all flagged multiple concerns regarding the administration of Appointeeship. While numerous actions have been taken, progress has been insufficient to mitigate risk exposure for the administration of Appointeeship. Significant resourcing issues have been experienced within the Client Monies Team over the last two years, equally there has been organisational changes that have also impacted service requirements and delivery.

In summary, 9 high risk exceptions have been raised and 2 medium risk exceptions remain open from the previous audit. These risks relate to processes and training, annual assessments, financial reviews, accuracy of payments, reconciliations, account balances, deceased accounts, emergency and extra payments, and record keeping. As stated, the exceptions raised mirror those raised in previous audits.

Since the issuing of the draft report a task and finish group has been established to determine and implement mitigating actions to resolve the current risk exposure, in addition, consideration is being given to the strategic direction of the service. However, in the interim the administration of appointeeships must follow the control framework whilst the strategic direction is being determined.

The executive summary of the report has been attached as an appendix.

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	*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*
Reasonable Assurance	*Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority*
Limited Assurance	*Control weaknesses or risks were identified which pose a more significant risk to the Authority*
No Assurance	*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*
NAT	*No areas tested*

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.

Portsmouth City Council Internal Audit Service is performed in compliance with the Public Sector Internal Audit Standards (PSIAS). Compliance to the standard was externally assessed during 2022/23.

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)	*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.*
Medium Risk	*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.*
High Risk	*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.*
Critical Risk	*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.*

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

7. 2023/24 Audits completed since the last reporting period

Contractual Dispute

Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

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

The proposed contract variations were successful in resolving and drawing a line under the previous issues flagged and reasons for the dispute. However, this has resulted in increased risk for the Authority due to the nature of the new agreement. Financially the Authority has also taken on more risk by increasing the annual contractual cost, it was intended that these increases would be offset by greater occupancy rates. This was not occurring at the beginning of June 2023 when testing was completed and therefore SCC are not achieving the financial benefits envisioned when the decision was made to green light the variation.

CareDirector

Exceptions Raised

Critical	High	Medium	Low
0	4	1	0

Overall Assurance Level

Limited

Actions should be implementation by December 2023

Assurance Level by Scope Area

Scope Area	Assurance Level
Achievement of Strategic Objectives	Assurance
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 exception was raised in relation to mandatory fields not being set to 'system enforced' and the design decision to include a significant amount of custom JavaScript for Adults forms raising business continuity concerns. The second high risk relates to the high volume of vendor-initiated changes that require SCC support, missing information in vendor release notes and the change process not being managed robustly. The third high risk covers capacity and the need for appropriate onboarding' of technical staff. The final (fourth) high risk relates to a historic and ongoing issue with training take-up at the onset of Care Director. The medium risk covers the current level of governance creating a high overhead on senior staff.

Compliance with Grant Conditions (Public Health)

Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable

Actions should be implementation by December 2023

Assurance Level by Scope Area

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

A medium risk exception was raised in relation to funds allocated to services outside of the core Public Health functions being difficult to monitor from both an outcome monitoring and financial aspect.

Home to School Transport Budgetary Issues

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

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

The significant variance against the Home to School budget in 2022/23 came about due to the need to procure routes that expired in September 2022. Due to the system being set up without inflationary rises rather than the price incrementally rising the prices rose significantly in one go. This information was available and known but a lack of communication between the different teams led to it not being factored into the budget and forecasting.

Steps have been taken to address this with the 2023/24 forecast having uplifts built in for re procurement as well as a rise in the number of routes. This will further be strengthened when reporting from the system will show exactly how many routes need to be re procured and when. Information relating to new starters, school movers and routes which require a Passenger Assistant must be provided as early as possible to further strengthen the accuracy of the forecasting model. No additional recommendations have been made beyond those recognised and already enacted by the relevant services.

IT Assets

Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Overall Assurance Level

Reasonable

Actions should be implementation by December 2023

Assurance Level by Scope Area

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

The first high risk exception was raised in relation to a lack of security expectations being explained to end users when they collect new devices. The first medium risk exception was raised in relation to 57/4,668 end user devices being unaccounted for and a lack of documented process notes on the validation process. The final medium risk was raised in relation to 2/20 assets listed as 'in stock' not having a corresponding service desk call/log of the devices return.

Purchase Cards

Exceptions Raised

Critical	High	Medium	Low
0	4	2	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

A process review of Purchase cards was conducted, no substantive testing on the effectiveness of controls was conducted as part of this review. The review focused on the current Purchase Cards workflow and highlighted residual control gaps, (following extensive work by finance colleagues) and subsequently provided additional recommendations. The control gap's highlighted were in relation to the lack of a control mechanism to ensure budget holder authorisation is a mandatory check, the handover in administrative requirements not mirroring current skills set and resources, no process in place to ensure cardholders are not spending over £50 (essential spend), no control mechanism to ensure that narrative details are being entered as part of the cardholder's administrative duties, the lack of control in relation to hotel bookings (which is moving to a Travel Booking System) and no mechanism in place to ensure that cardholders are signing each transaction with acknowledgement that they have complete the purchases card training and have read the policy.

Partnership for South Hampshire (PfSH)

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

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

The Partnership for South Hampshire (PfSH) is required to publish a statement of accounts on an annual basis. Southampton City Council is the Accountable Body for PfSH and as such, a review of the PfSH accounts formed part of Southampton City Council's Audit Plan 2023/24. A copy of the draft Statement of Accounts, supporting source documentation and transactional data was provided by the Finance Business Partner on 2nd May 2023. All testing for the audit was undertaken using these documents. Overall, based on testing conducted, there is an adequate financial system and controls in place for the administration of the PfSH accounts.

Schools Financial Value Standard (SFVS)

Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

Overall Assurance Level

Reasonable

Actions have been implementation by June 2023

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	Assurance
Reliability and Integrity of Data	Reasonable

5 out of 42 schools were selected for testing to support the s151 Officers statement signing by evidencing the responses given in the SFVS self-assessment returns. For the 2022/23 SFVS checklist there were 30 questions with 6 being reviewed, the identified concerns with insufficient evidence for 2 schools with one being unable to provide sufficient evidence for all answers and another being unable to provide evidence for 1/5 questions tested. The second medium risk related to 6/41 submissions not having been signed off by their Chair of Governors.

List of Completed Grant	
Grant Outcomes:	**Assurance/Certified**

1. Local Transport Capital Block Funding

8. 2023/24 Follow-up Audits completed since the last reporting period

Agency & Temps

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Latest implementation date scheduled was September 2022
Revised date: August 2023

Original Assurance Level

Reasonable

Follow Up Assurance

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	0

Follow up testing was able to close the medium risk exception. The high risk exception identified that agreed actions had been implemented but they were not effective enough to close the exception. This is due to a review of 25 agency workers where compliance documentation was absent, i.e., there were no references attached for 56% of the sample and 12% did not have a DBS number reference as required.

Child Protection Planning

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Latest implementation date scheduled was July 2022
Revised date: September 2023

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	2 (High) 1 (Medium)	0	3 (High)	0	0	0

Follow up testing was able to close 3 high risk exceptions. The first high risk remained in progress as testing of 5 cases identified that the Initial Child Protection Conference (ICPC) had not been held within 15 working days of the strategy meeting in 3/5 cases. The second high risk remained in progress as 3/5 Initial Core Group meetings were not held within 10 working days of the ICPC. The medium risk remains in progress as testing of 5 cases identified that 1/5 cases did not undertake a review conference within 3 months of the ICPC and 1/5 subsequent review meeting was overdue at the time of testing.

School Budget Deficits

Original Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

Latest implementation date scheduled was July 2022
Revised date: July 2023

Original Assurance Level → **Follow Up Assurance**

Reasonable	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)	0	0	0

Follow up testing was able to close the remaining high risk exception. The second follow-up has been conducted which confirmed that reasonable actions are taken to address schools in budget deficit, by finance and education colleagues. Despite these actions a number of schools remain in deficit. The exception is closed with the expectation that steps available to manage risk exposure will continue, as part of normal good financial management; however, the overall assurance level will remain at 'reasonable' due to the risk exposure presented for the authority.

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

SOUTHAMPTON
CITY COUNCIL

10. Exception Analysis to Date
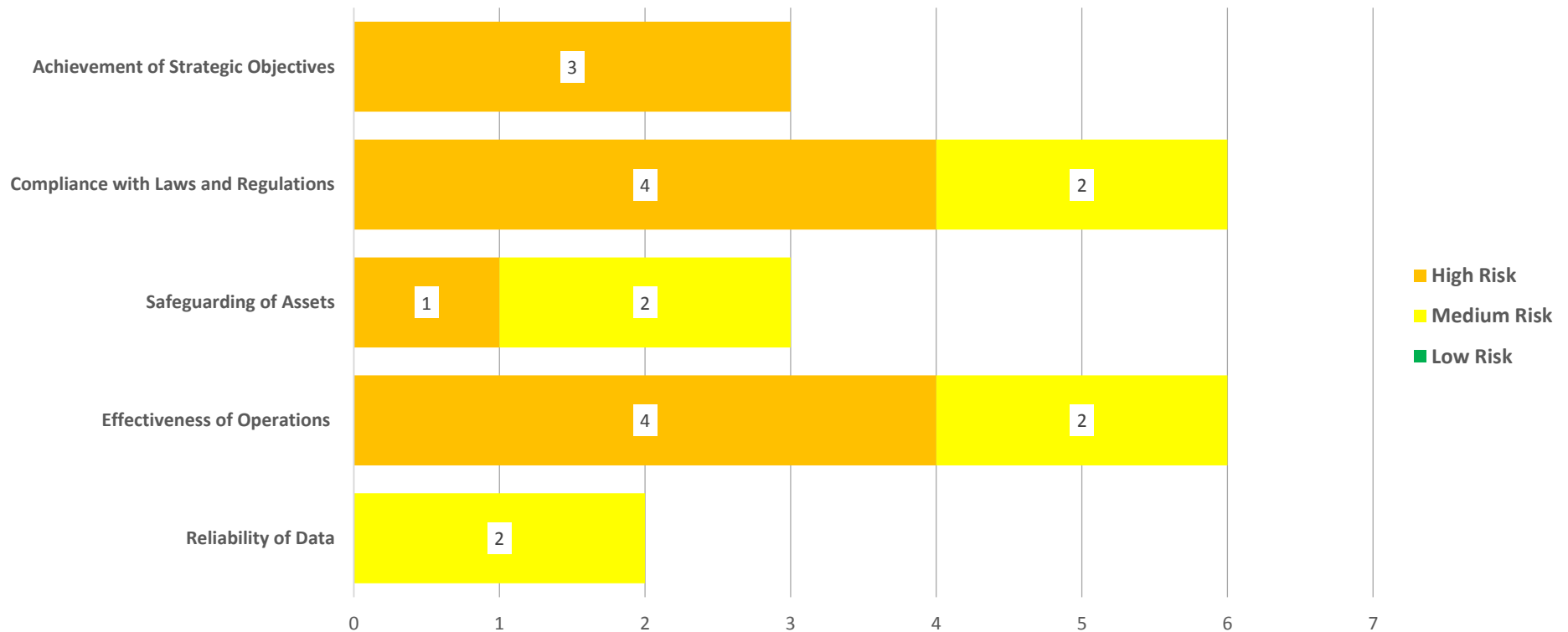
	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk	3	4	4		1	12
Medium Risk		2	2	2	2	8
Low Risk - Improvement						0
Grand Total	3	6	6	2	3	20

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