

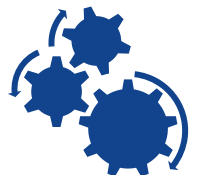


SOUTHAMPTON
CITY COUNCIL

Southampton City Council Annual Audit Report 2020/21

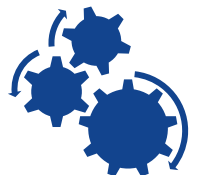
Elizabeth Goodwin, Chief Internal Auditor





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1. Executive Summary

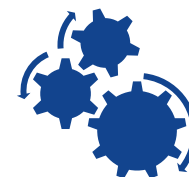
Annual Opinion

On a yearly basis the Chief Internal Auditor is required to form an annual opinion on the effectiveness of the internal control framework in operation at Southampton City Council. This opinion is based on work carried out over the course of the previous financial year (2020/21) and includes an assessment of all results obtained from auditing activities. The details that support the opinion are contained in the body of this report.

The results show a decrease in the number of 'limited assurance' audit findings compared to the previous financial year from 23, in 2019/20 to 15, in 2020/21. There has however been an increase in the number of 'No Assurance' audit findings from 1 report in 2019/20 to 2 reports in 2020/21. The overall assurance level of 'limited' that has been attributed to this year which is as a result of overall results and areas with specific control failures and risk exposure that still require addressing.

Progress Update

In addition to the annual opinion this report also covers the final, previously unreported audit areas completed since the last reporting period. All audit activities have now been closed as completed.



2. Background

Public Sector Internal Audit Standards

2.1 On 1st April 2013 the *Public Sector Internal Audit Standards (PSIAS, the Standards)* were formally adopted in respect of local government across the United Kingdom. The *PSIAS* apply to all internal audit providers, whether in-house, shared services or outsourced. The *PSIAS* were revised from 1st April 2016, to incorporate the *Mission of Internal Audit* and *Core Principles for the Professional Practice of internal Auditing*.

2.2 The *Accounts and Audit Regulations 2015 Section 5*, define the requirement for an internal audit function within local government, stating that:

A relevant authority 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

2.3 The responsibility for maintaining an adequate and effective system of internal audit within Southampton City Council lies with the Executive Director of Finance, Commercialisation & s151 Officer.

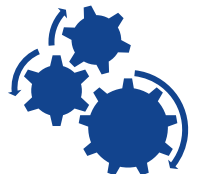
2.4 The Chief Internal Auditor is responsible for effectively managing the internal audit activity, in accordance with the definition of internal auditing, the *Code of Ethics* and the *Standards*.

2.5 In accordance with the *PSIAS* the definition of internal auditing is:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's 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

2.6 In addition the Chief Internal Auditor will provide an Annual Internal Audit Opinion, based on an objective assessment of the Authority's framework of governance, risk management and control.

2.7 The Annual Internal Audit Opinion must incorporate:

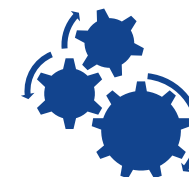


- The Opinion;
- A summary of the work that supports the Opinion; and
- A statement on conformance with *PSIAS* and the results of the quality assurance and improvement programme.

2.8 An annual self-assessment is carried out, as part of *PSIAS*. The assessment for 2020/21 confirmed that Southampton City Council's Internal Audit Service is compliant with requirements.

Statement of Organisational Independence

- 2.9** The Internal Audit Section has no operational responsibilities for any financial systems, including system development and installation. It does however manage and oversee the arrangements for 'auditing' Direct Payments and provides advice on control implementation and risk mitigation where relevant and throughout the design and implementation stages of new systems.
- 2.10** The Chief Internal Auditor is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example; in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.
- 2.11** The Internal Audit Section has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer the Leader of the Council and the Chair of the Governance Committee.

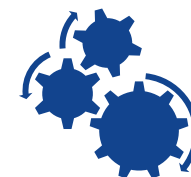


3. Annual Opinion for 2020/21

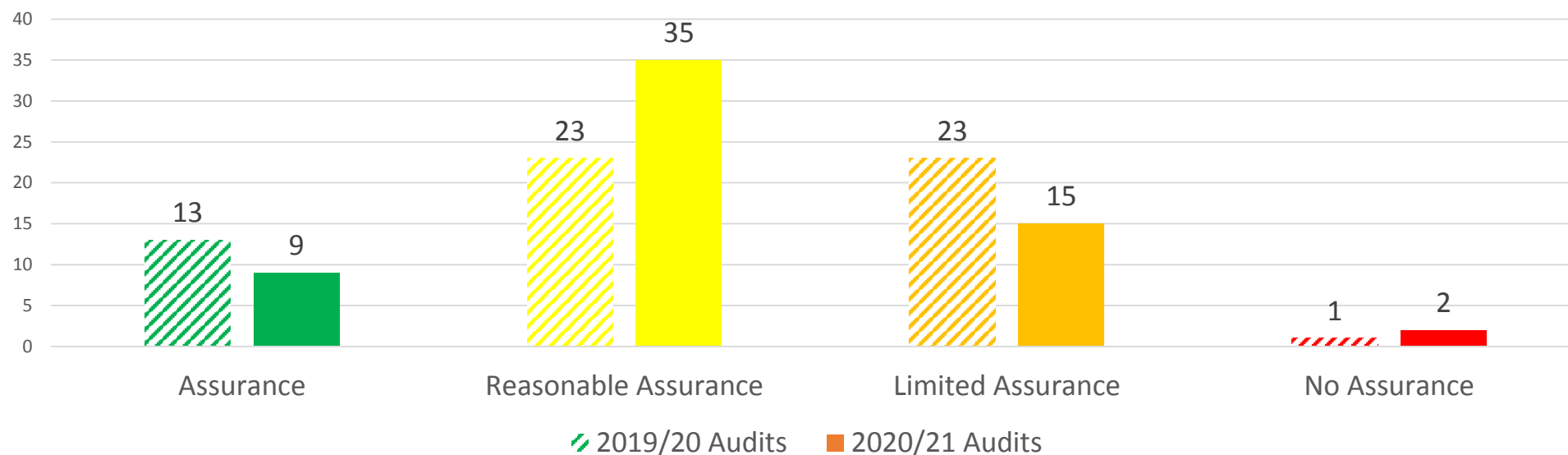
- 3.1 With effect from the 1st April 2017 and in partnership with Portsmouth City Council an in-house team to provide audit service has been established. The team currently consists of an Audit Manager and two Auditors, who are both undertaking professional qualifications. The service is provided by a combination of the in-house provision and colleagues from Portsmouth City Council overseen by a shared Chief Internal Auditor employed by Portsmouth City Council.
- 3.2 Over the course of the year (2020/21) the audit service has completed 72 reviews, covering, full audits and follow up reviews (61) and grant verifications (11). The results of the work carried out show that the level of limited reviews have decreased from the previous year which would indicate that improvements are continuing and that the effectiveness of the internal control environment is therefore also improving. There are two areas as part of the 2020/21 audit plan that are rated 'No Assurance', this is an increase of 1 from the previous year. For information both areas have been subject to a follow up as part of the 2021/22 audit plan and both have improved in the assurance level, moving to limited. The full details are contained further in this report. An area that still requires work is in relation to movement on the implementation of agreed actions to resolve risk exposure indicating that the Authority still has a number of areas that it needs to address.
- 3.3 Four audit opinion levels are in place and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. As a result of the findings summarised above and detailed in this report the audit opinion for 2020/21 is **limited assurance**.



- 3.4 Any significant corporate weaknesses and agreed actions will be reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2020/21 may affect that year's work for External Audit. It may also inform their work for 2021/22 and where they consider there are weaknesses in control that could materially affect the accounts they may need to carry out further work to gain the necessary audit assurance required, for a true and fair view of the financial position and compliance with professional codes of practice.

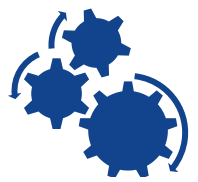


4. Comparative 2019/20 & 2020/21 Audit Assurance Levels

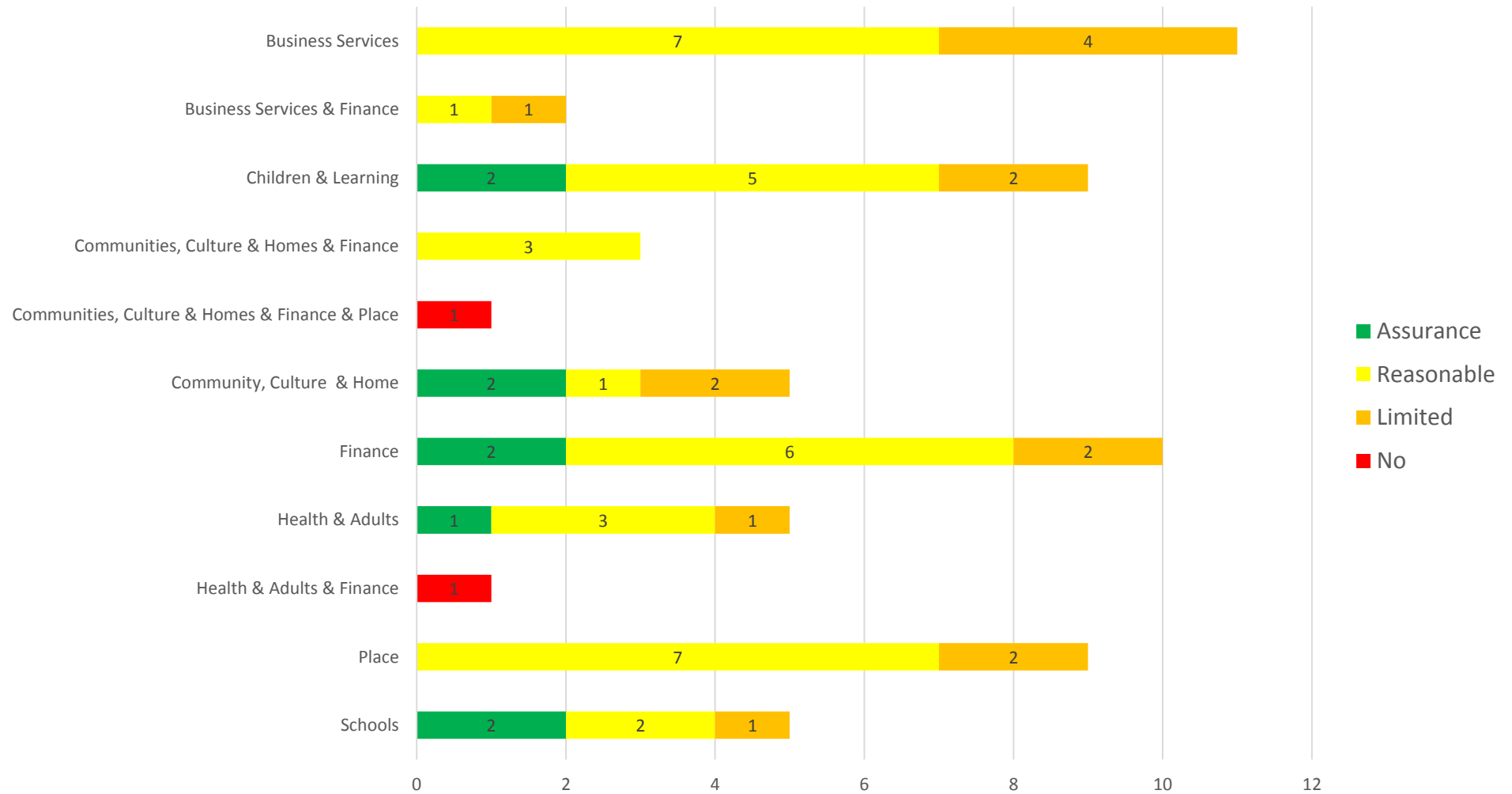


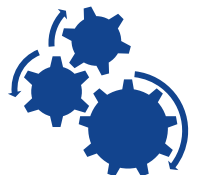
Note: Grant Certifications have not been included in this graph. In the table below the numbers in brackets indicates the change in the number of audits with that assurance level in the 2020/21 financial year compared to 2019/20 financial year.

	2019/20	2020/21
Assurance	13	9 (-4)
Reasonable Assurance	23	35 (+12)
Limited Assurance	23	15 (-8)
No Assurance	1	2 (+1)
TOTAL	60	61

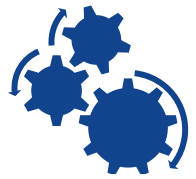


5. 2020/21 Audit Assurance by Executive Directorate



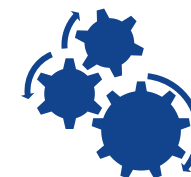


	Assurance	Reasonable Assurance	Limited Assurance	No Assurance	TOTAL
Business Services	0	7	4	0	11
Business Services & Finance	0	1	1	0	2
Children & Learning	2	5	2	0	9
Communities, Culture & Homes	2	1	2	0	5
Communities, Culture & Homes & Finance	0	3	0	0	3
Communities, Culture & Homes & Finance, Place	0	0	0	1	1
Finance	2	6	2	0	10
Health & Adults	1	3	1	0	5
Health & Adults & Finance	0	0	0	1	1
Place	0	7	2	0	9
Schools	2	2	1	0	5
TOTAL	9	36	14	2	61

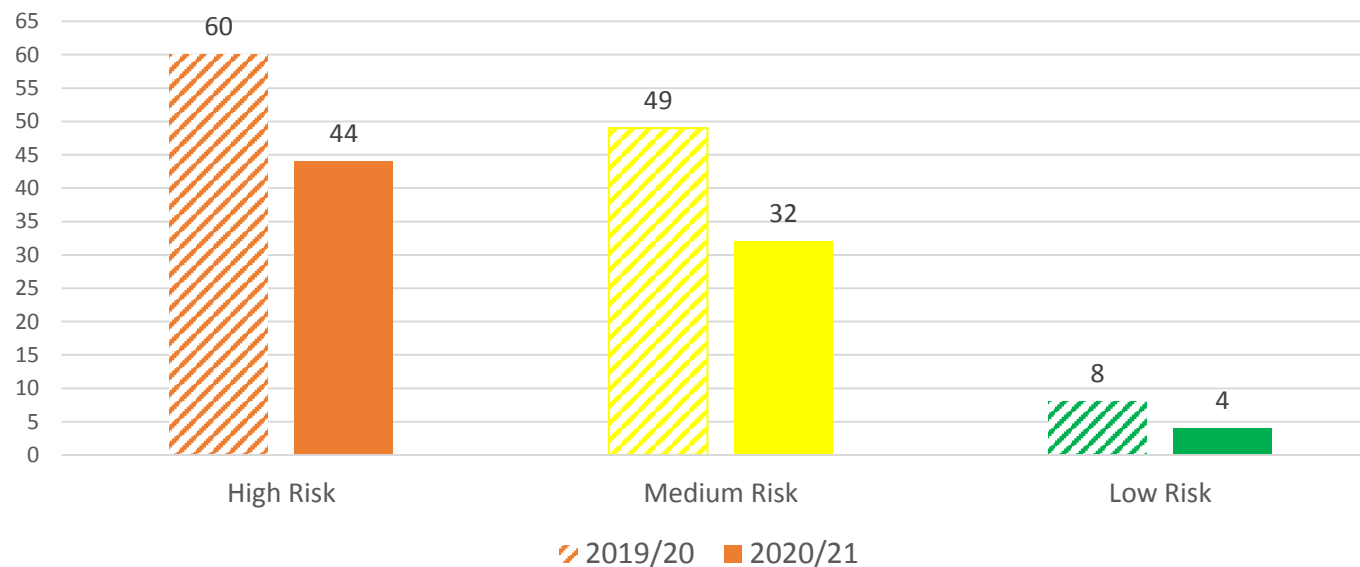


6. Key Areas of Concern

- 6.1** During 2020/21 two reviews resulted in a **no assurance** reports. These have not been reported to this committee until now and follow up reviews have taken place in accordance with the 2021/22 plan. The combined results are included in section 12.
- **Appointeeships**
 - **Water Quality**
- 6.2** A residual of concern is in relation to the timeliness of implementing agreed actions to mitigate risk exposure. As noted in the 2020/21 Follow Up Analysis (detailed on page 13) that 43% of the 134 exceptions followed up through 2020/21 had been actioned within the agreed timeframe, meaning 57% is currently outstanding. This is reflective across the organisation. Proposed actions to address this issue have been impacted by COVID-19 and additional steps have been agreed by the Executive Management Board moving forward. This includes continuing second follow up reviews and enhanced reporting on any areas outstanding to members to the Executive Management Board.
- 6.3** Over the course of the year a number of reviews have resulted in limited assurance being attributed as an overall opinion. There are no particular patterns or trends emerging across the organisation in terms of these reviews. Risk exposure in relation to Compliance with Rules, Regulations and Legislation as detailed in 2020/21 Risk Level by Risk Classification will always be highlighted due to the level of testing under compliance. Any specific concerns will always be factored in if relevant to the Annual Governance Statement.
- 6.4** Our opinion is in relation to work performed during 2020/21 during the COVID-19 pandemic. There will inevitably be some issues emerging as a result of arrangements and procedures enacted due to the pandemic.

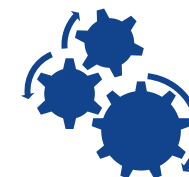


7. Comparative 2019/20 & 2020/21 Exception Risk Rankings

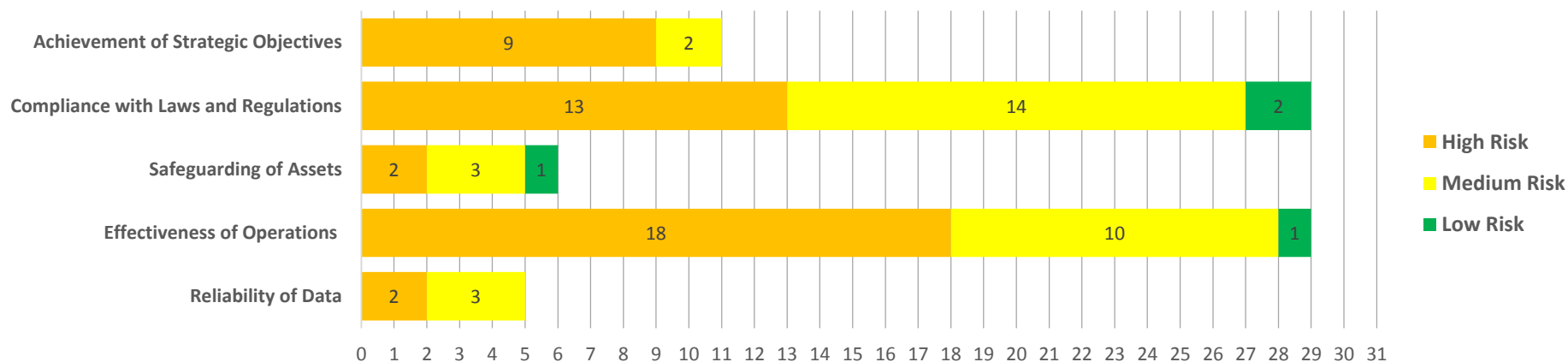


	2019/20	2020/21
Critical Risk	0	0
High Risk	60	44 (-16)
Medium Risk	49	32 (-17)
Low Risk	8	7 (-1)
TOTAL	117	80

Note: In the table ABOVE the numbers in brackets indicates the change in the number of audits with that assurance level in the 2020/21 financial year compared to 2019/20 financial year.



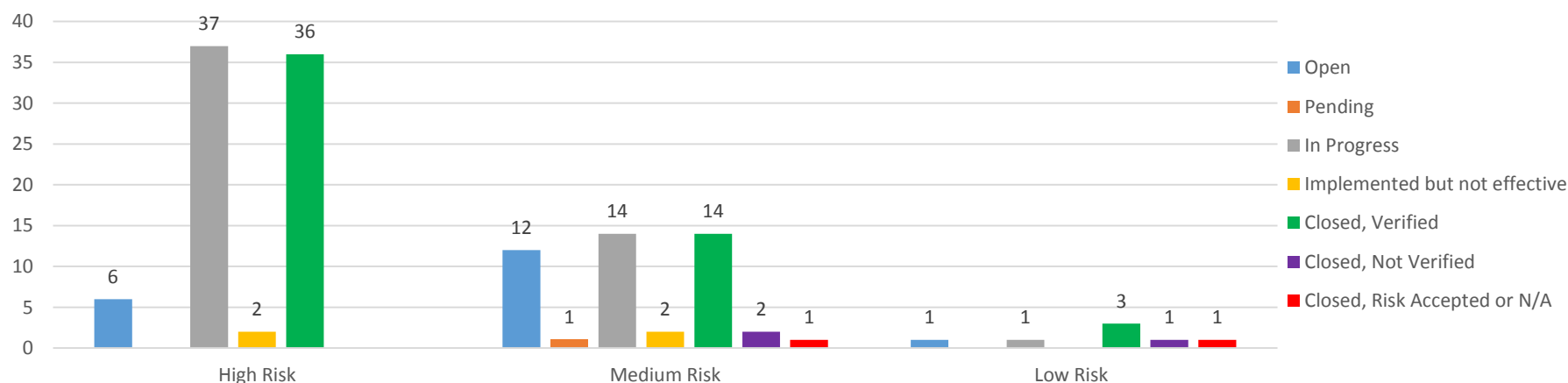
8. 2020/21 Exception Analysis by Risk Classification



	High Risks	Medium Risks	Low Risks	TOTAL
Achievement of Strategic Objectives	9	2	0	11
Compliance with Laws and Regulations	13	14	2	29
Safeguarding of Assets	2	3	1	6
Effectiveness of Operations	18	10	1	29
Reliability of Data	2	3	0	5
TOTAL	44	32	4	80

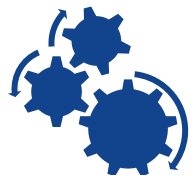


9. 2020/21 Follow Up Analysis



	Open	Pending	In Progress	Implemented, Not Effective	Closed, Verified	Closed, Not Verified	Closed, Risk Accepted	TOTAL
High Risk	6	0	37	2	36	0	0	81
Medium Risk	12	1	14	2	14	2	1	46
Low Risk	1	0	1	0	3	1	1	7
TOTAL	19	1	52	4	53	3	2	134

Internal Audit follows up exceptions where at least one high risk exception has been raised. Exceptions are followed up in the next financial year, to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within three months due to the potential severity of the risks identified. The overall position of the 134 exceptions followed up through 2020/21 shows that 58 (43%) have been closed by audit, however 76 (57%) are overdue.

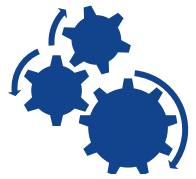


10. Quality Assurance

10.1 As part of the *Public Sector Internal Audit Standards* the Chief Internal Auditor is required to maintain a quality assurance and improvement programme (QA&IP) that covers all aspects of the internal audit activity. This QA&IP must include both internal and external assessments, which are detailed below under section 14.

10.2 In addition to this, quality and improvement requirements are assessed by means of:

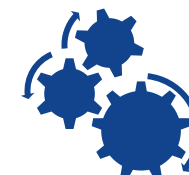
- a.** Sign off by the Chief Internal Auditor or Deputy of all key stages of an audit, for example the scope of work and level of testing to be performed, the conclusion of the work and opinion formed followed by a review of the draft and final reports.
- b.** Weekly 1:1s with all members of staff, within Internal Audit and colleagues who undertake Counter Fraud activities.
- c.** Annual performance reviews of all staff, including the identification and provision of training. The majority of training needs are provided by a combination of external professional studies, supporting by in-house provisions and mentoring.
- d.** All staff above Auditor level are required to undertake professional training or have achieved an education level of degree or above. For those that have completed professional studies as part of their professional body membership, much complete the required Continuous Professional Development
- e.** An annual skills gap analysis across the team, (this includes the wider team) to determine specific potential shortages or gaps. Whilst no major gaps are noted at present, historical gaps in areas such as project auditing, contract auditing and IT auditing have been identified following the departure of employees (including retirement). These shortfalls have been addressed by specified recruitment, bespoke training or if required short term, by means of additional sign off/ mentoring of staff. Areas requiring improvement for this year's assessments are noted below, Skills Gap Analysis Results (10.3).
- f.** All staff complete an annual declaration of interests including a nil return, to avoid any impingement on independence or conflict of interest.
- g.** Feedback has been received during 2020/21 from key stakeholders, all feedback supported the quality assurance assessment reflecting that the service provided complies with *PSIAS* criteria.



Skills Gap Analysis for 2020/21

10.3 Essential Areas: where greater coverage of skills is needed moving forward:

- *Auditing, Specialist IT Auditing skills:* these are limited within the overall service with only two officer currently qualified with a third part-qualified. To address this shortfall, professional training will continue be undertaken for the third officer and use will also be made of resources employed elsewhere under the various partnerships and shared service arrangements.
- *Counter Fraud skills:* whilst there are three officers qualified across the wider Partnership in Counter Fraud (CF) and investigative practice these resources are limited with only one officer leading full time. Two counter fraud posts exist, although one is currently vacant (as at May 2021). During 2020/21 one CF officer was redeployed to support Revenues and Benefits whilst Business Grants were administered. This along with the significant increase in fraud work and now vacant position has placed this area of the service under extreme pressure. Following discussion with the s151 officer at Portsmouth City Council a review of the CF requirements is being carried out.



11. 2020/21 Audits Completed - not previously reported

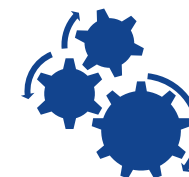
COVID-19 Assurance Reporting – Corporate

Assurance Level by Scope Area

Purchase Card Use and Spend	Reasonable	Infection Control Grant – Framework Assessment	Assurance
Travel & Subsistence	Reasonable	COVID-19 Bus Subsidy	Assurance
Small Business Grants & Retail, Hospitality and Leisure Grant	Reasonable	Compliance & Enforcement Grant	Assurance
Local Restriction Support Grants & Additional Restriction Grant	Reasonable	COVID-19 Additional Dedicated Home to School & College Transport Grant	Assurance
Discretionary Grants	Limited	Travel Demand Management Grant	Assurance
Income Compensation Claim	Assurance		

COVID Compliance and Enforcement Grant Memo

Grant Verification – To the best of our knowledge and belief, and having carried out appropriate investigations and checks, in our opinion, in all significant respects, the conditions attached to COVID-19 Local Authority Enforcement and Compliance Grant Determination No.31/5216 have been complied with.



Annual Governance Statement – Finance and Commercialisation

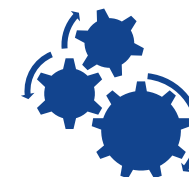
Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable		
0	0	0	0			Achievement of Strategic Objectives
					Compliance with Policies, Laws & Regulations	No Areas Tested
					Safeguarding of Assets	No Areas Tested
					Effectiveness and Efficiency of Operations	No Areas Tested
					Reliability and Integrity of Data	Reasonable

The overall opinion for the areas tested is that reasonable assurances can be placed on the self-assessment returns of governance arrangements. The self-assessment itself is a good annual exercise that provides an opportunity for managers to reflect on the governance arrangements in place and whether there are potential gaps. Ultimately this is one source of intelligence and therefore the AGS content is developed using a variety of inputs. The current AGS is a reflection of all areas of information received.

Supplier Management – Finance and Commercialisation

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable		
0	1	0	0		Latest implementation date scheduled is December 2021	Achievement of Strategic Objectives
				Compliance with Policies, Laws & Regulations		Reasonable
					Safeguarding of Assets	Reasonable
					Effectiveness and Efficiency of Operations	No Areas Tested
					Reliability and Integrity of Data	No Areas Tested

One high risk exception was raised in relation to the implementation of the contract management framework and the outstanding exercise to classify all contracts held by the council whether they are strategic, key managed or tactical.



Capital Programme – Place

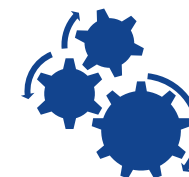
Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable	Achievement of Strategic Objectives	Assurance
0	0	0	0			Compliance with Policies, Laws & Regulations
					Safeguarding of Assets	Assurance
					Effectiveness and Efficiency of Operations	No Areas Tested
					Reliability and Integrity of Data	No Areas Tested

While no exceptions have been raised as part of this audit, there have been significant changes to the capital process in relation to both financial and project management. As such the audit has not been able to sample test projects completely following this new way of working. The focus has been to review the projected plans to provide an opinion on their effectiveness. Therefore, while audit have the opinion that the proposed changes and current new processes will aid in mitigating the risks associated with capital projects, it can only offer reasonable assurance as substantive testing could not be undertaken.

IT Project (Implementation of CareDirector) – Business Services

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable	Achievement of Strategic Objectives	Reasonable
0	1	0	0		Latest implementation date scheduled is November 2021	Compliance with Policies, Laws & Regulations
						Safeguarding of Assets
					Effectiveness and Efficiency of Operations	No Areas Tested
					Reliability and Integrity of Data	No Areas Tested

One high risk exception has been raised in relation to the implementation timeline, system development has not progressed at the anticipated rate incurring additional costs for the council. Furthermore, there is ambiguity regarding which of the Council’s 684 system requirements will be present when the system is scheduled to go live in November 2021. The vendor has confirmed that mandatory functionality will be present but not all functionality the Council would like to have are likely to be present from day one in the new system.



Contact and Procurement ICU - Health & Adults

Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Overall Assurance Level

Reasonable

Latest implementation date scheduled is December 2021

Assurance Level by Scope Area

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

The first high risk relates to testing identifying 4/13 supplier payments sampled, although each payment was below £5k the aggregated spend over the year was over the £5k threshold and had not gone through procurement with 1/13 suppliers total aggregate spend being £153k. While this is under the EU threshold, it should be investigated to establish whether it should be part of a larger contract. The second high risk relates to non-compliant spend for temporary labour which totalled £1,296,405 over a six month period.

Carers (Care Act Compliance) – Health & Adults

Exceptions Raised

Critical	High	Medium	Low
0	0	4	0

Overall Assurance Level

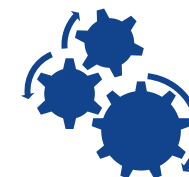
Reasonable

Latest implementation date scheduled is April 2022

Assurance Level by Scope Area

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

The first medium risk was raised in relation to the Carers Strategy, although progressing, being a draft document at the time of testing. The second medium risk relates to the Action Plan and Roadmap in terms of meeting Carer Strategy statutory requirements not having been finalised and there being a recognition that further improvements into the areas of advice, information and early prevention support are required to fulfil statutory duties upheld by the authority. The third medium risk relates to there being no offer of Parent Carer assessments, no option for a more ‘person centred’ approach for carer assessments and lack of adult carers being linked on PARIS. The final medium risk relates to there being no integration between PARIS and Imosphere (Carers of Southampton assessment software).



Business World (Key Controls) – Business Support & Finance

Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Overall Assurance Level

Limited

Latest implementation date scheduled is July 2021

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 a number of admin access privilege rights ‘AGSYSTEM’ and ‘SUPERUSER’ where users did not require this level as part of their roles. The second high risk relates to the review of 10 cost centre authorisation levels where for 1/10 the senior manager in post had not delegated authorisation to any levels of authorisation within their cost centre and 1/10 did not have the appropriate senior manager assigned to its authorisation levels. The final high risk relates to Financial Planning and Analysis software not yet being implemented and Finance being unable to design their own Business World reports. The medium risk relates to the Change control form allowing the originator of the change request to implement it.

Direct Payments – Adults & Health

Exceptions Raised

Critical	High	Medium	Low
0	4	1	1

Overall Assurance Level

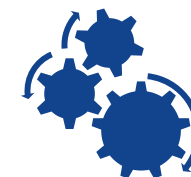
Limited

Latest implementation date scheduled is March 2021

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	Limited

The first high risk exception was raised in relation to a sample testing of 20 Direct Payment cases being unable to locate: an initial assessment for 8 cases, a Direct Payment agreement for 7 cases, details of the approving panel for 6 cases and 2 cases not having a Care and Support Plan in place. The second high risk relates to a review of ten pre-paid card accounts which were found to lack monitoring with 6/10 accounts having a balance in excess of their 8 week funding and one case had no expenditure at all. The third high risk relates to testing identifying occasions where funds remained in the clients account or Allpay card, which could still be accessed, after the end of the Direct Payment. The final high risk relates to testing of 20 cases where 16/20 had at least one piece of documentation which could not be located on their PARIS account. The medium risk relates to the reasoning behind the offer of a Direct Payment are not always clear.



Accounts Payable – Finance and Commercialisation

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Limited	Achievement of Strategic Objectives	No Areas Tested
0	2	4	1	Latest implementation date scheduled is September 2021	Compliance with Policies, Laws & Regulations	Reasonable
					Safeguarding of Assets	Reasonable
					Effectiveness and Efficiency of Operations	Limited
					Reliability and Integrity of Data	Reasonable

The first high risk was raised in relation to where testing identifying £1.87 million in unauthorised payments which were awaiting authorisation for longer than 30 days. The second high risk relates to a lack of duplicate supplier checks. The first medium risk relates to Business World users having system access they did not require as part of their roles. The second medium risk relates to a sample of 18 payment without invoice (PWI) transactions which found where 2/18 were not compliant with the PWI process. The third medium risk relates to delays in the tranman payment run occurring if suppliers are setup incorrectly and the medium risk relates to there being no monitoring of the number of automated payments.



12. 2020/21 Audits Completed and followed up - not previously reported

Water Quality - Place, Communities Culture & Homes and Finance and Commercialisation

Exceptions Raised

Critical	High	Medium	Low
0	8	0	0

Original Assurance Level

No Assurance



1st Follow-up Assurance

Limited Assurance

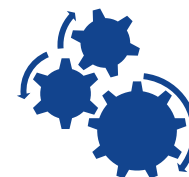
Executive Summary

A review of the water Quality processes was carried out as part of the 2020/2021 audit plan. Reviews undertaken historically had raised a number of water quality concerns. These reviews identified areas requiring attention in order to achieve a more robust regime of Legionella risk management. The 2020/21 audit also raised similar concerns and the overall opinion attributed to this review was that 'No Assurance' could be provided that the underlying arrangements were robust enough to effectively manage risk exposure.

Due to the assurance level provided, follow up work commenced immediately and this report covers both the original points raised and current position with regards to implementing actions agreed.

The Council's management team were already aware of wider control weaknesses in relation to compliance issues and commissioned an independent review by technical experts in this field. A subsequent report has been issued with numerous findings and proposed recommendations. The review provides a technical assessment of compliance with legislative and statutory requirements and best practice. There is also a detailed action plan that is being implemented. It is envisaged that any recommended revision of risk mitigation agreed as part of the Internal Audit review will be considered and where required the report updated.

The follow up of audit has therefore been conducted as part of the 2021/2022 audit plan.



Achievement of the Council’s strategic objectives	Limited Assurance <small>Original</small>	Limited Assurance <small>Follow-up</small>
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Responsible Person

The Council's Safe Working Procedure document details the Water Quality staff structure and roles, however previous audit testing was unable to confirm which employee was responsible for each role or whether they are aware of their responsibilities, as there was no central register of responsible persons in place.

Follow up testing established that the lack of responsible person register was discussed at the Health and Safety Board Meeting of the 24/06/21. An action has been raised for the relevant officers from the property division to draw up a responsible person list, and the progress of this agreed action will be reviewed at future H&S Board meetings. The high risk exception remains in progress.

Training and Qualifications

During previous audit testing it was identified that a central record of all staff with water quality responsibilities was not held and it was not possible to identify if relevant training had been undertaken.

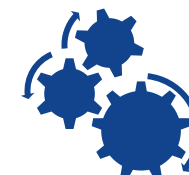
Follow up discussions established that training for all responsible persons is being programmed for July 2021 and a responsible person register will be implemented to identify all staff that require training. Once this is complete Property Division and the Health, Safety and Wellbeing Team will identify the most effective way to roll the training out at all sites, and to all responsible persons. The high risk training and qualification exception remains in progress.

Compliance with Policies, Laws and Regulations	Limited Assurance <small>Original</small>	Limited Assurance <small>Follow-up</small>
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Risk Assessments

The previous audit review established that for 30 Housing properties, no current (completed within the last 2 years) risk assessments could be identified.

Follow up testing of the 30 Housing established that these properties now have current water quality risk assessments, however the drive to ensure that these properties received an assessment has impacted those scheduled for Property Division locations. Additional testing established that there are 7 currently expired risk assessments which have been programmed for completion by the end of July 2021. The high risk exception remains in progress.



Monitoring, Testing and Flushing

Property Division

Paper record log books are held at each site to record temperature readings and any concerns raised. Previous audit testing highlighted that 10 locations were missing from the log book audit tracker, and log book review could not be evidenced.

Follow up discussions with a Technical Administrator established that the Property Division are working towards a joined up approach with electrical and mechanical engineers to arrange one annual log book review. The team will aim to complete at least a 20% check of all log books annually.

Housing

Original testing compared Property Division and Housing records and found 2 locations missing from the Housing monitoring schedule. Discussions between Property Division and Housing Operations confirmed that two premises had been erroneously omitted from the schedule and were not being monitored.

Follow up testing confirmed that water quality monitoring had commenced on both properties while the audit was in progress.

The previous audit review of 4 site flushing records and 21 site temperature monitoring records was conducted to ensure monitoring was being carried out and any concerns were being escalated. Testing highlighted that for 7/25 properties there was no monitoring records held.

Follow up testing of 25 different properties also highlighted irregular monitoring records, however, further testing following the implementation of a new monitoring schedule confirmed an improvement. The review highlighted that 9/21 water outlets did not meet the temperature standard. These readings have been selected for the remedials testing shown below. The high risk exception remains in progress.

Effectiveness and Efficiency of Operations	Limited Assurance	Limited Assurance
	Original	Follow-up

Remedial Works

Property Division

10 Risk Assessments were reviewed as part of the previous audit and any issues raised were followed through to works order and then completion. The same test was conducted for issues raised as a result of 10 temperature monitoring records. Of the 10 risk assessments reviewed, inadequate record keeping was identified in 4/10 remedials raised and it was not possible to establish the current status of any repairs.

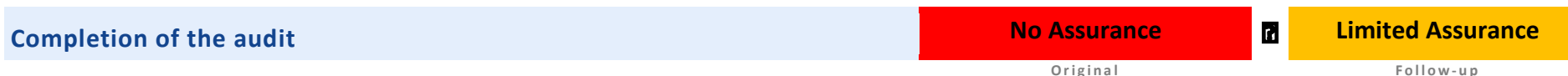


Follow up testing reviewed 20 remedial records and found that it was not possible to trace records from works order to completion for 10/20 remedials reviewed.

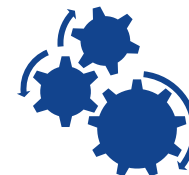
Housing Operations

Testing during the original audit carried out on 20/55 Housing properties highlighted that, 6/10 risk assessment remedial works orders could not be evidenced, and only 2/10 temperature monitoring remedials had works orders raised.

Following up testing established that any faults identified as a result of regular monitoring are now forwarded to the Property Division to monitor. A review of 19/55 Housing records highlighted that it was not possible to confirm the status of 16/19 remedials. The high risk remedial exception remains open.



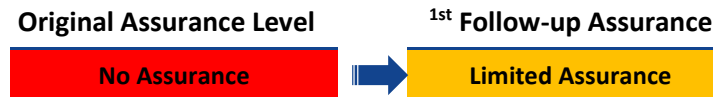
Overall, testing during the follow up review has evidenced progress has been made in mitigating risk exposure. All areas for the 6 high risk exceptions are in progress and the 2 medium risk exceptions raised have been closed.



Appointeeship – Health & Adults / Finance and Commercialisation

Exceptions Raised

Critical	High	Medium	Low
0	8	2	2



Executive Summary

A review of the Appointeeships process was carried out as part of the 2020/2021 audit plan. The scope of the review focussed on the financial element of the systems in operation, although it was noted that this function straddled both Finance and Adult Social Care (ASC) services, with ASC leading on some financial areas. The findings from the review were shared with ASC and both services recognised that moving forward the issues identified required a partnership approach to establish and define roles and responsibilities.

The overall opinion attributed to this review, was that 'No Assurance' could be given on the effectiveness of the control environment for the administration of Appointeeships. One of the actions proposed and agreed was for the Council to commission an independent End to End process review. This was to enable a more technical assessment to be carried out specifically focusing on service delivery against legislative requirements. The outcome is pending and is likely to have an impact on the underlying arrangements that support the delivery of this function. This may also influence or change the direction in relation to agreed actions as a result of the audit review.

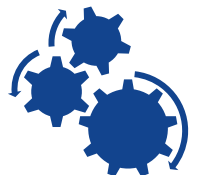
Due to the assurance level provided, follow up work commenced immediately and this report covers both the original points raised and current position with regards to implementing actions to mitigate risk exposure.

The follow up of audit has therefore been conducted as part of the 2021/2022 audit plan. At the time of this follow up review (April - June 2021) the Council were acting as an Appointee for 324 clients with a total account balance of £3,017,717.35. Only high risk narrative is included for information.

Compliance with Policies, Laws and Regulations	Limited	Limited
	Original	Follow-up

Procedures and Document Management

Original testing sourced the supporting procedures available for the Appointeeship function. The review highlighted that some procedures were not documented resulting in a lack of clear guidance for all the functions within the Appointeeship service.



Testing also established that a standalone client management system was not being used to support this function. Client account documentation was primarily being stored within folders on a shared outlook account. Some correspondence was sent from the shared mailbox and some emails were replied to from officer's personal email accounts. During the audit, new procedures were put in place to ensure documents are moved to the correct client folders on the corporate drive as part of daily email housekeeping. A client 'notes' system on the Access database was also introduced to identify casework actions taken for each client. This system was introduced on 9 March and was in its infancy at the time of testing.

The Service Manager advised during the audit that a GDPR self-assessment had not been completed for the process, database and storage locations.

Testing noted that this is not a statutory requirement, however due to the nature of the tasks undertaken by the Appointeeship function, completing a risk assessment would identify, address and provide assurance that the function is compliant and operating effectively.

A high risk exception was raised.

Follow up testing established the following:

- That all procedures had been updated within the last year.
- The 5 year IT plan which was agreed by Cabinet and a Full Council Meeting is now with Procurement for progression, and currently in market appraisal stage.
- A Data Protection Impact Assessment and a new privacy notice have been completed.

The high risk exception raised as a result of the original audit remains in progress.

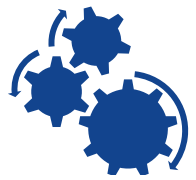
Income and Expenditure

Original testing raised queries with 3/5 (60%) of the client files reviewed, including missing documentation for 2 clients and missing records for one client. Without this information on file it was not possible to evidence that the client's finances were in order, income being received was correct according to their benefit entitlement and invoices had been paid. A high risk exception was raised.

Follow up testing reviewed the transactions of 5 client accounts. For all 5 (100%) accounts documentation was missing. The missing documentation included benefit award letters and regular payment information. The high risk exception remains in progress.

New Applications

As part of the previous audit, a sample of 10 clients were selected for review to ensure that the appropriate documentation had been submitted and the relevant form had been returned, authorising SCC to act as an appointee for each client. For 3/10 (30%) of the sample no form could be evidenced during testing, it was noted for these cases that the Authority had been in receipt of money in respect of these 3 clients and the CMS team had been processing monies for clients without the legal authority to act on their behalf. A high risk exception was raised.



Follow up testing also selected 10 client records for review and found that for 9/10 clients, forms were present, and the remaining form was being processed. The high risk exception has now been closed.

Effectiveness and Efficiency of Operations

No Assurance

Original

Limited Assurance

Follow-up

Accounts in excess of £16,000

The original audit review identified 64 client accounts with a balance in excess of £16,000. Testing established that a report showing the client name and account balance is produced monthly and shared with Adult Social Care, to ensure these clients were being considered for transfer to Deputyship. However, at the time of testing it appeared this process did not continue to transfer eligible clients to the Deputyship scheme. A high risk exception was raised.

Follow up testing established that all client accounts which hold a balance in excess of £16,000 are to be reviewed to ensure they are receiving support in line with a set criteria. This review began on 17 September 2020. There is no legal requirement to transfer clients with an account balance of £16,000 to deputyship, this was a historic figure taken by SCC, and therefore the decision has been taken to only transfer those clients with a balance of £23,000 (self-funding limit) to HCC Deputyship. At the time of testing 20 accounts were awaiting review. This has not been verified by Internal Audit.

Third Party Probate Researchers

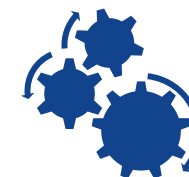
During the deceased procedure testing, Internal Audit established that 19 deceased cases with a total value of £247,370.24 had been transferred to a tracing company, although no contract was in place. A high risk exception was raised.

Follow up testing established that there is now a Service Level Agreement and Data Sharing Agreement in place with the third party. There is no charge to the Council for this service, as any fees and charges will be taken from the deceased’s estate by arrangement with the next of kin. Unclaimed estate left by SCC clients is also shared on the Government’s Bona Vacantia website to assist in locating next of kin. The high risk exception has now been closed.

Deceased Client Accounts and Deceased Client Accounts with no Next of Kin

Original testing reviewed 10/29 deceased accounts to evidence that processes had been followed to identify next of kin. In all 10 cases reviewed there have been areas of process noncompliance and/or unexplained time delays. A high risk exception was raised.

Follow up testing established that a new procedure for managing deceased accounts is now in place. A sample of 10/28 deceased account files were reviewed to confirm compliance with the procedure document and that there had not been any significant delays. For 6/10 accounts, supporting



documentation could not be found in the relevant client folder. 1/10 accounts were missing from the tracker and it was not possible to establish a position update, and for 4/10 accounts there had been unexplained delays of between 1 and 3 months in progressing to closure.

The high risk exception remains in progress.

Emergency and Extra Payments

Original audit testing reviewed the transaction logs for 4 emergency payment cards (14 individual payments, 5 were subsequently tested). For 3/5 (60%) payments, testing was unable to evidence a completed emergency payment form signed by all parties. For the remaining 2 (40%) payments that had completed, emergency payment forms, evidence of a receipt for the withdrawal of cash was sighted, however in both cases the receipts were not signed by the client as per the requirements of the process.

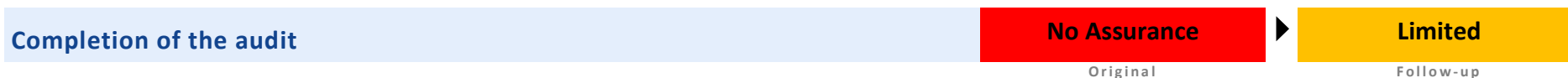
A high risk exception was raised.

Follow up testing ascertained that this position has been resolved and the high risk exception has now been closed.

Charging Policy

The issue of a lack of a charging policy has been raised historically and consideration was being given as to whether this was an appropriate move for the Council to adopt.

An options appraisal document linked to charging proposals is being drafted. An independent review of the end-to-end appointeeship process has been commissioned and commenced on 7th June 2021. The scope of this review includes making recommendations on level of resource. This will impact the document on charging proposals.



The original audit raised eight high risk exceptions, two medium risk exceptions and two low risk exceptions. Three high risk, one medium and two low risk exceptions have now been closed. The remaining exceptions (five high, one medium) are all in progress.

Appendix B contains the Action Plan from the service areas (Finance & Health & Adults. This also details progress to date.



13. Follow-Up Audits Completed - not previously reported

Housing Depot (Responsive Repairs) – Finance & Commercialisation and Communities, Culture & Home

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Latest implementation date scheduled for follow up action is March 2022

Original Assurance Level

Limited Assurance

2nd Follow-up Assurance

Reasonable Assurance

Follow Up Action

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

Follow up testing was able to close a high risk exception due to there being continuous improvements in the number of quality control checks being undertaken on responsive repair jobs. The second high risk remains in progress as a report for monitoring MRC accounts as not yet been produced which could lead to the raising of incorrect invoices. The medium risk remains in progress as there are no documentation, meeting minute or data available to support the formal decision of keeping MRC charges at the same rate.

HMO Licensing – Communities, Culture & Home

Original Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Latest implementation date scheduled for follow up action is throughout 2021/22

Original Assurance Level

Limited Assurance

Follow-up Assurance Level

Limited Assurance

Follow Up Action

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

Follow up testing was able to close a high risk exception due to fees being collected in line with the fees and charges policy. The first high risk that remains open relates to the backlog of condition monitoring with 20% of licensed properties having outstanding high risk conditions. The second high risk and medium risk remain in progress while enforcement action is suspended due to COVID-19 and work on reportable information/statistics remains.



Accounts Receivable – Finance & Commercialisation

Original Exceptions Raised

Critical	High	Medium	Low
0	1	3	0

Latest implementation date scheduled for follow up action is throughout 2021/22

Original Assurance Level

Reasonable Assurance

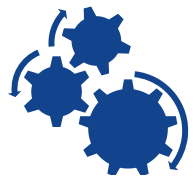
Follow-up Assurance Level

Reasonable Assurance

Follow Up Action

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

Follow up testing was able to close a high risk exception. The first medium risk exception relating to recovery action remains in progress while recovery action was temporarily suspended at the start of the COVID-19 pandemic followed by a softer approach being introduced. Net collection rates across all debt collected by CP&D reduced from 94.79% to 92.86% in Q4 2020/21. The second medium risk relating to timely write-offs remains in progress as although work has begun on Adult Social Care and individuals’ accounts, Internal Audit were unable to establish any business write-offs. The final medium risk relating to system access remains in progress due to 2 users having access they did not require as part of their roles.



14. Counter Fraud & Audit Unplanned Reactive Work

14.1 A summary has been provided of Counter Fraud and Audit reactive work conducted during the 2020/21 year.

14.2 Business Grants:

While processes were put in place to manage the grant application process, like any application, these can be subject to attempts of fraud. Given the national scheme and haste in which local authorities had to implement them, SCC were subject to a number of attempted frauds which targeted Authorities across the Country. Unfortunately one payment was made on the basis of a fraudulent claim with a value of £25k.

Additional fraud attempts were prevented for three cases, all of which were subsequently reported to National Investigation Service (NATIS).

14.2 Investigations

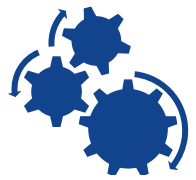
- There were 2 right to buy cases investigated jointly with the service, one required no further action and one application was subsequently withdrawn.
- Two cases of suspected fraud were investigated and resulted in one with no further action and the other where controls arrangements were enhanced.
- There was one investigation completed where an assessment was made as to whether due process had been undertaken following receipt of a complaint.

14.4 Ongoing NFI

The Internal Audit Team are responsible for the management and admin of the Authority's participation in the National Fraud Initiative (NFI) which is a mandatory scheme in which multiple data sets are uploaded and analysed. The results are then presented back to the council for investigation. Responsibility for investigating the referrals is split across multiple teams including the Counter Fraud Team.

14.5 Advice

Internal Audit gave 10 items of advice across varying council services on risk and control throughout the financial year 2020/21. Advice is recorded if the time spent to conduct the required work exceeds 1 hour of officer time.



15. Public Sector Internal Audit Standards

Introduction

- 15.1** Under the *Public Sector Internal Audit Standards (PSIAS, the Standards) Standard 1310* requires that, as part of the quality assurance and improvement programme internal and external assessments (of conformance with the *PSIAS*) must be undertaken. *Standard 1311* allows for periodic self-assessments, which has been performed on an annual basis for Southampton City Council but also wider on Portsmouth City Council. The results of the self-assessment have been communicated annually alongside the annual audit opinion to this committee.
- 15.2** *Standard 1312* requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Standards state that a qualified assessor demonstrates competence in two areas; the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. An independent assessor means not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs. During 2017/18 an external assessment was undertaken on Portsmouth City Council's Internal Audit & Counter Fraud Service and an external assessment will be commissioned for Southampton City Council during the next five years. A second external assessment is planned for the financial year 2022/23.