



SOUTHAMPTON
CITY COUNCIL

Internal Audit Progress Report

25th April 2022

Elizabeth Goodwin, Chief Internal Auditor

1. Introduction

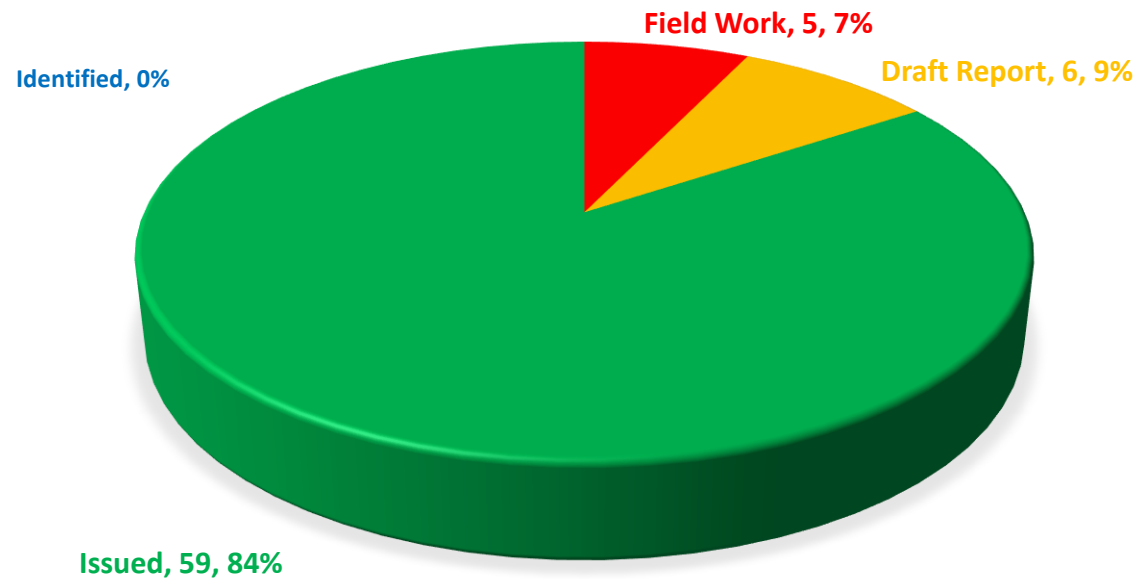
This report includes the status against the 2021/22 internal audit plan for this reporting period (25th January to 5th April 2022).

In summary all audits from the 2021/22 plan have 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. 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 5th April 2022



There are a total of 70 reviews in the 2021/22 Audit Plan. The previous position was at 24th January 2022, the current is as at 5th April 2022.

To date, all audits have been completed or are in progress as at 5th April 2022. This represents 59 (84%) audits where the report has been finalised, 6 (9%) where the report is in draft and 5 (7%) audits currently in progress.

Status	Previous Position	Current Position
Identified	6	0
Fieldwork	14	5
Draft Report	10	6
Final Report	44	59
Total	74	70

3. Audit Plan Status/Changes

The Audit Plan has been more flexible this year to take into account additional work predominately in the area of grants and long-term sickness within the audit service. Since the last reporting period the following should be noted; **Additions, removals and amendments to the 2021/22 Audit Plan:**

- Addition – Protect and Vaccinate Grant
- Removed – Multi Agency Safeguarding Hub (MASH) - moved at the request of the service.
- Removed – Payroll - pension return already covered.
- Removed – Public Health Outcomes - moved due to long-term sickness within the audit service.
- Removed – Supplier Performance - follow up moved due to long-term sickness within the audit service.
- Removed – Waste Operations - moved due to long-term sickness within the audit service.

All the audits removed above will now be performed as part of the 2022/23 audit plan.

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

Woodlands Community College

Exceptions Raised

Critical	High	Medium	Low
0	0	3	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The first medium risk relates to 3/9 Finance & Personnel Group meetings having been cancelled and only 1 of the remaining 6 meetings indicate that a Finance Governor was in attendance. The second medium risk relates to a review of school employee files were DBS confirmation as well as supporting documentation such as council tax bills were being retained longer than permitted under GDPR requirements. The final medium risk relates to a lack of annual checks on inventory and authorisation of asset disposals.

Children's Direct Payments

Exceptions Raised

Critical	High	Medium	Low
0	7	1	1

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 sample testing finding 10 out of 20 panel reviews being overdue. The second high risk relates to testing of Jigsaw direct payment users where 4 out of 20 cases did not have a support plan and a review of 11 uplifts found 5 of these did not have an updated support plan since the direct payment personal budget amount had changed. The third high risk relates to 1/20 direct payments did not match the allocated funding amount. The fourth high risk relates to 8/20 annual audits being overdue. The fifth high risk relates to 8/20 case audits not being completed with appropriate financial records and evidence submitted. The sixth high risk relates to a lack of process maps and guidance for checking for fraudulent activity. The final high risk relates to 13/20 cases having an incorrect next audit date on the monitoring spreadsheet. The medium risk relates to 3/20 not having signed direct payment agreements.

Ridge Progress Review

Outcomes:

Consultancy Work

Following a commissioned assessment to identify the state of SCC's compliance work (water safety, asbestos, fire, electrical and gas inspections etc) and an action plan to resolve issues, Internal Audit removed compliance audits from the 2021/22 audit plan. This was agreed at the Health & Safety Board to reduce potential duplication of work and resource pressures on the service whilst they focused on implementing agreed actions. Instead of performing these reviews Internal Audit monitored progress against the proposed timeframe of actions. The results of this work confirms that whilst the initial timetable for agreed actions have not always been achieved, the position/ deviations from plan have been regularly communicated to the Health & Safety Board, who have when relevant taken addition actions to ensure the work required is back on track and blocks or barriers are resolved.

Internal Audit will resume auditing of compliance areas as part of the 2022/23 audit plan.

List of Completed Grants

Grant Outcomes:

Assurance/Certified

Family Matters Grant

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

Bank Account – Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Latest implementation date
 scheduled was September 2021.
 Revised date: September 2022

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
1 (Medium)	0	1 (High)	0	0	0	0	0

Follow up testing found that the high risk relating to the clearing of suspense accounts remained in progress with approximately £590,000 payments requiring allocation, this position has improved since the previous audit. The medium risk relating to banking arrangements remains open as monitoring arrangements have not changed as the banking contract is due to end in September 2022. New contract monitoring arrangements considered for the next contract.

Blue Badge – 2nd Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

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

Original Assurance Level

Reasonable

2nd 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
1 (High)	0	0	0	0	0	0	1 (Medium)

Follow up testing identified issues with record retention which remains open as a new system is procured which will include data deletion capabilities and ensure compliance with the Record Retention Schedule.

Business World (Key Controls) – Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Latest implementation date scheduled was July 2021
 Revised date: December 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	1 (High)	0	1 (High) 1 (Medium)	1 (High)	0	0

Follow up testing was able to close 2 high and 1 medium risk exceptions. One high risk relating to the implementation of the financial planning and analysis software remains in progress as the purchased software was not fit for purpose and therefore the team has reverted back to using Excelerator reports with forecasting expected to occur late in 2022/23.

Direct Payments Adults – Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	4	1	1

Latest implementation date scheduled was March 2021
 Revised date:

Original Assurance Level

Limited

Follow Up Assurance 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 (Low)	0	4 (High) 1 (Medium)	0	0	0

Follow up testing was able to close four high and one medium risk exception. The low risk relates to policies and procedures and remains in progress as the draft policy is yet to be published.

Fleet Management – Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	2	0	1

Latest implementation date
 scheduled was March 2021
 Revised date: April 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
1 (High)	0	1 (High)	0	1 (Low)	0	0	0

Follow up testing was able to close one low risk exception. The first high risk remains open due to the procurement for liquid fuel requiring a specification before it can go to market. The second high risk relating to the vehicle replacement strategy remains in progress as while there is now capital in place and vehicle purchases are being made, there is no overarching vehicle replacement strategy in place.

Implementation of Care Director (Project Governance Arrangements) – Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

Latest implementation date
 scheduled was November 2021
 Revised date: N/A

Original Assurance Level

Reasonable

Follow Up Assurance 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	0	0	1 (High)	0	0	0

Follow up testing was able to close one high risk exception. Assurance can be provided that governance controls remained in place leading up to implementation of Care Director. This review did not offer comment on the technical specifications and operational suitability of the system as this was outside the scope of this review.

IT Procurement, Inventory Control and Disposal – 2nd Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	2	0	1

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

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	3 (High)	0	1 (High)	1 (High)	0	0

Follow up testing was able to close two high risk exceptions. The first high risk that remains in progress is due to being unable to locate disposal records for 6 /12 laptops sampled. The second high risk remains in progress as while there had been changes to the physical status of devices to reflect home working, a method for undertaking annual checks on IT equipment is not currently in place. The final high risk that remains in progress is due to an inadequate disposal trail and 10/20 assets still being listed as installed or in stock after disposal.

Mount Pleasant – Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

Latest implementation date scheduled was September 2021
 Revised date: TBC

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
1 (High)	0	0	0	1 (High)	1 (High)	0	0

Follow up testing was able to close two high risk exceptions. The remaining high risk relating to the Governing Body Terms of Reference remains open as there is no evidence to confirm the documentation is in place to evidence it has been completed and approved.

Fleet Management – 2nd Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	2	3	0

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

Original Assurance Level

Limited

2nd Follow Up Assurance

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) 3 (Medium)	0	0	0	0	0

Follow up testing identified the first high risk relating to a supplier contract remained in progress as it is currently operating via an exemption. The second high risk relating to the monitoring of outstanding payments remains in progress, as while there has been a small percentage decrease in outstanding amounts (debt) for some permits the percentage outstanding for season tickets has increased. The first medium risk remains in progress while a stock take needs to be undertaken. The second medium risk remains in progress awaiting the publication of the 2020/21 Annual Parking report. The final medium risk remains in progress as the service level agreements are reviewed and updated.

Public Protection Notices – Follow Up Audit
Original Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

Latest implementation date
 scheduled was December 2021
 Revised date: TBC

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	1 (Low)	0	0	0

Follow up testing was able to close one high risk exception. The high risk exception relating to risk assessments for sharing information remains in progress while the Data Protection Impact Assessment remains in draft and a new post is approved to review and determine Level 2 and Level 3 Public Protection Notices. The other high risk relates to data sharing agreements while the sharing protocol/agreement is finalised.

Short Breaks – 2nd Follow Up Audit

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

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

Original Assurance Level

Limited

2nd 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	1 (Medium)	0	1 (High)	1 (High)	0	0	0

Follow up testing was able to close one high risk exception. The remaining high risk exception remains open as the implemented action was not effective due to follow up testing identifying non-compliance in overdue annual reviews and recording of short break provisions in Education, Health and Care Plans. The medium risk remains pending due to the individual who produces the Local Offer Annual Report is off on long-term sickness.

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>

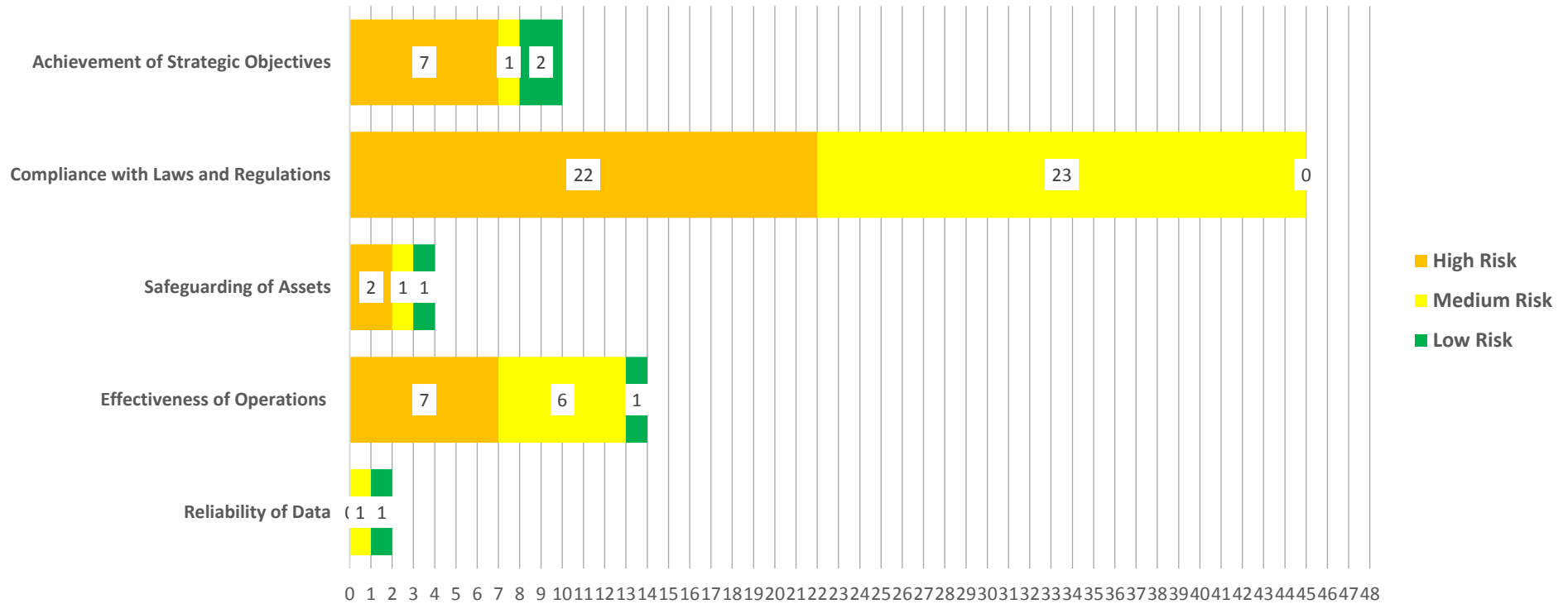
10. Audits in Draft

Audit	Directorate	Projected Reporting	Revised	Comments
Adults Safeguarding	Wellbeing (Health & Adults)	June 2022		
Child Protection Planning	Wellbeing (Children & Learning)	June 2022		
Contract Monitoring ICU	Wellbeing (Health & Adults)	June 2022		
Emergency Procedures/Fire Safety	Communities, Culture & Homes	June 2022		
Grounds Maintenance	Business Services	June 2022		
Housing Rents & Arrears Collection	Finance & Commercialisation	June 2022		

11. Audits in Progress

Audit	Directorate	Comments
Accounts Payable	Finance & Commercialisation	
Homelessness Prevention Grant 2021-22	Grant Work	
Housing Benefits	Finance & Commercialisation	
Mandated Services	Wellbeing (Health & Adults)	
Protect and Vaccinate Grant	Grant Work	

12. Exception Analysis to Date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk	7	26	10		2	45
Medium Risk	3	24	6	1	1	35
Low Risk - Improvement	2		1	1	2	6
Grand Total	12	50	17	2	5	86