



Internal Audit Progress Report

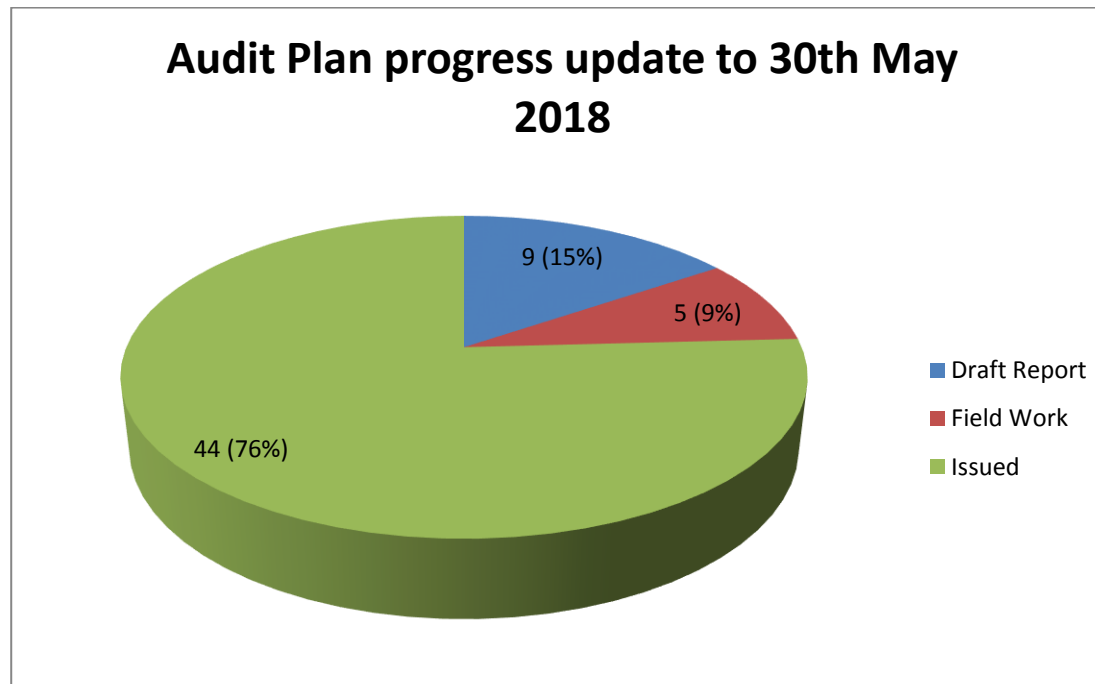
11th June 2018 Governance Committee

Elizabeth Goodwin - Chief Internal Auditor

Introduction: The internal audit function is a statutory function for all Local Authorities. Southampton City Council currently has a shared Chief Internal Auditor and an in house team of three members of staff, supported under a partnership agreement with Portsmouth City Council.

Purpose of report: The purpose of this report is to update the committee on the progress of the 2017/18 Audit Plan for the period 6th April 2018 to 30th May 2018 and highlight any areas of concern that may have arisen during the completed audits.

Audit Plan Progress:



91% of the Audit Plan has been completed as at 30th May 2018. 9% of the Audit Plan is in progress with an expected completion date of the end of June 2018. This is based on 58 audits.

Completed Audits between 6th April 2018 and 30th May 2018:

Project Name	Hub	Opinion	Direction	No. Critical Risk	No. High Risk	No. Medium Risk	No. Low Risk	Summary of high risk exceptions
DBO - CCTV	Operations	Limited Assurance		-	1	-	1	One high risk exception relating to non current data protection impact assessments in certain areas.
F&C - Accounts Receivable and Debt Management	Strategy	Limited Assurance		-	2	2	-	Two high risk exceptions relating to inaccurate invoicing across the authority and the closing down of write offs before authorisation.
F&C - Income and Collection Sites	Strategy	Limited Assurance		-	2	3	-	Two high risks exceptions relating to the lack of vault box verification at Itchen bridge, lack of management oversight and inadequate system reports.
HAC - Residential Care Homes SCC run	Operations	Limited Assurance		-	4	2	1	Four high risk exceptions relating to petty cash inaccuracies, administration of personal funds, incomplete inventory records and weaknesses in stock control.
T&U - Asbestos	Operations	Limited Assurance		-	5	-	-	Five high risk exceptions arose which related to the following areas: Procurement and Contract management in relation to Asbestos, inadequate control and performance reporting, properties overdue inspections, inadequate incident reporting closedown and incomplete training for key staff.
T&U - TranMan	Operations	Limited Assurance		-	2	1	-	Two high risk exceptions arose relating to inadequate system privileges within the system and missing driver license checks on a number of agency workers

Project Name	Hub	Opinion	Direction	No. Critical Risk	No. High Risk	No. Medium Risk	No. Low Risk	Summary of high risk exceptions
T&U - Water Quality	Operations	Limited Assurance		-	3	2	-	Three high risk exceptions arose which related to inadequate completion of relevant training, corporate sites that did not have a risk assessment and lack of responsibility for monitoring results of water quality testing.
L&G - Social Media	Strategy	Limited Assurance		-	3	1	-	Three high risk exceptions relating to guidance on viewing social media accounts, no records of surveillance undertaken and lack of training in certain departments
P&H - Public Health	Strategy	Reasonable Assurance		-	-	1	-	
C&F - Adoption	Operations	Reasonable Assurance		-	1	1	2	One high risk exception relating to timescales and signatories as part of the assessment process.
HAC - Continuing Health Care	Operations	Reasonable Assurance		-	-	2	-	Two medium risk exceptions relating to out of date policy and procedures and weaknesses in supporting documentation.
HAC - Adults Safeguarding	Operations	Assurance		-	-	-	-	

Audits in Draft Report Stage:

Project Name	Hub	Project Status	Projected Reporting Date
DBO - Disaster Recovery Business Continuity	Operations	Draft Report	July 2018
DBO - Procurement	Strategy	Draft Report	July 2018
F&C - Annual Governance Statement 17/18	Strategy	Draft Report	July 2018
C&F - Out of City Placements Special Education Needs	Operations	Draft Report	July 2018
DBO - British Gas	Operations	Draft Report	July 2018
F&C - Financial Management	Strategy	Draft Report	July 2018
DBO - Leisure Contract	Operations	Draft Report	July 2018
DBO - Contract Strategic Framework	Operations	Draft Report	July 2018
F&C - Accounts Payable	Strategy	Draft Report	July 2018
HR - Health & Safety	Strategy	Field Work	July 2018

Audits in progress:

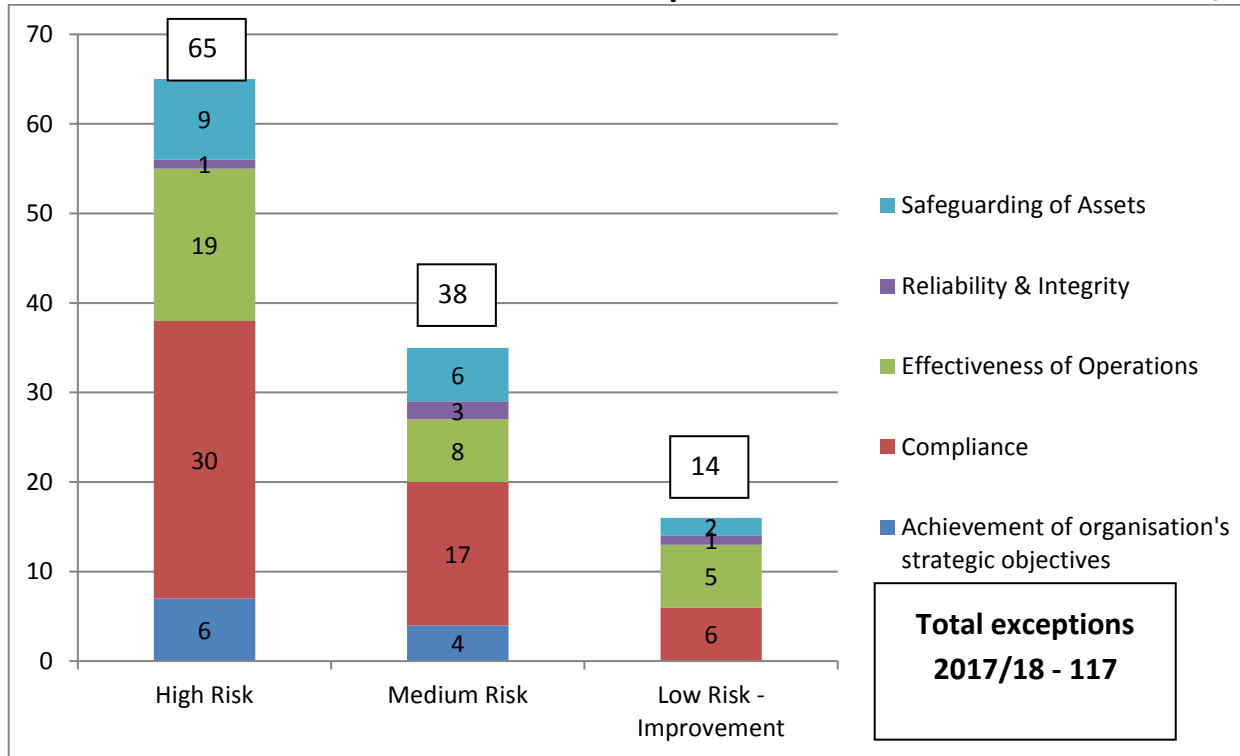
Project Name	Hub	Project Status	Projected Reporting Date
DBO - IT Telecommunications	Strategy	Field Work	July 2018
C&F - Children's Safeguarding (Protection & Court Teams)	Operations	Field Work	July 2018
DBO - Mobile Devices	Operations	Field Work	July 2018
DBO - Partnership Arrangements	Operations	Field Work	July 2018

Unplanned Work:

Since 6th April 2018 to 30th April 2018, Internal Audit has provided advice in the following area. (For reference, Advice is only recorded when the time taken to provide the advice exceeds 1 hour.

- Direct Payments - The Audit Manager is attending regular meetings to discuss the progress of the improvements made in the direct payment process following attendance at the workshops.
- Direct Payments – The Audit Manager is now a member of the Direct Payment Board overseeing the implementation of the new direct payment process.
- Direct Payments - The Audit Manager is coordinating the introduction of two new posts relating to Direct Payment Auditing.
- Travis Perkins – Audit was contacted directly by Travis Perkins to investigate the use of their Purchas Cards by SCC tradespersons. The use of these cards needs to be compliant with SCC Procurement rules and also in line with the current contract that the Council has in place with Travis Perkins for the provision of materials. Advice has been given to the relevant Service Manager in Housing and also discussions held with the Service Lead – Supplier Management.

Exceptions Raised in Issued Audits 2017/18



Category	Example
Achievement of Organisational Objectives (AO)	Policy is out of date and not in line with current process
Compliance with Laws, Regulation and Policy (CMP)	Authority process /action is breaching legislation
Safeguarding of Assets (SOA)	Inventory of assets is not being maintained
Effectiveness of Operations (EOO)	Duplicate authorisation within a process
Reliability and Integrity of Data (R&I)	Reports used for decision making are inaccurate

The above table shows the number of exceptions raised based on the risk level and the category in which they were tested. At the current time, no significant trends are present in the data.

Audit Plan Status/Changes: There have been no changes to the Audit Plan since the last update.

Areas of Concern: No new areas of concern have arisen since the last audit update report.

KEY:

Overall Assurance Levels:	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

Exception 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 organisation’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.