



Internal Audit Progress Report

24th July 2017 Governance Committee

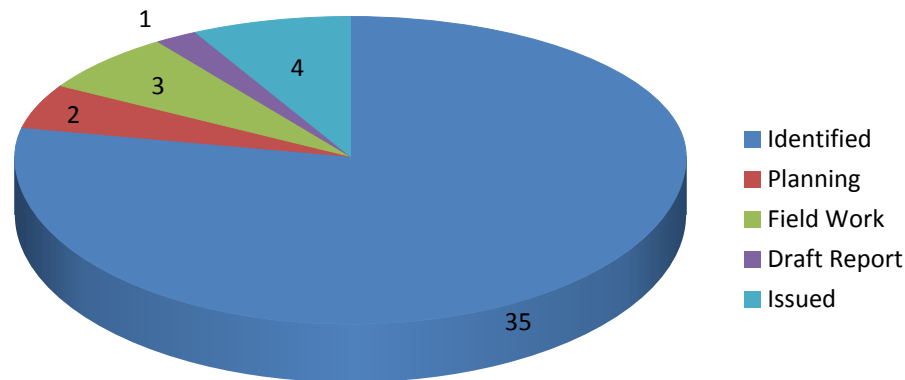
Elizabeth Goodwin - Chief Internal Auditor

Introduction: The internal audit function is a statutory function for all Local Authorities. Southampton City Council shares the Chief Internal Auditor with Portsmouth City Council. The audit service is provided in partnership with Portsmouth City Council and an in house team at Southampton City Council. SCC is currently in the process of recruiting the in house team. An Audit Manager has been appointed and is due to start in August 2017. The 2 remaining posts are still in the recruitment process.

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 1st April 2017 to 10th July 2017 and highlight any areas of concern that may have arisen during the completed audits. In addition, changes to the audit plan and other unplanned pieces of work are also brought to the attention of the committee.

Audit Plan Progress:

Audit Plan Update to 10th July 2017



11% of the Audit Plan has been completed as at 10th July 2017. 11% of the Audit Plan is in progress. The remaining 78% has yet to commence.

Completed Audits:

Project Name	Group	Opinion	Direction	No. Critical Risk	No. High Risk	No. Medium Risk	No. Low Risk	Summary
F&C - NNDR	Strategy	Assurance					1 (Eoo)	1 Low risk exception was raised relating to the lack of recording for the reasons of individual write offs and therefore no root cause analysis could be undertaken by management.
F&C - Council Tax	Strategy	Reasonable Assurance			1 (CMP)		1 (Eoo)	1 High Risk exception was raised relating to the incorrect award of Student exemptions or disregards for 16% tested (£5,936), i.e. where a discount had remained in place for a period of time and where the software systems had failed to highlight them or where the evidence provided to support the discount was insufficient. 1 Low risk exception was raised relating to the lack of recording for the reasons of individual write offs and therefore no root cause analysis could be undertaken by management.
F&C - PUSH	Strategy	Assurance					1 (R&I)	1 Low risk exception was raised relating to inconsistency in the PUSH statement regarding the method used for interest calculation.
C&F - School Financial Value Standard (SFVS)	Operations	Reasonable Assurance				2 (CMP & R&I)		2 Medium risk exceptions were raised, one relating to the fact that two schools had failed to submit their SFVS returns. The second relating to the fact that 11% of responses submitted could not be verified.

(Testing under the following areas: CMP=Compliance with laws, regulations, policies & procedures, Eoo=Effectiveness of Operations, R&I=Reliability and Integrity of data)

Audits in Draft Report Stage:

Project Name	Group	Project Status	Projected Reporting Date
L&G - Annual Governance Statement	Strategy	Draft Report	September 2017

Audits in progress:

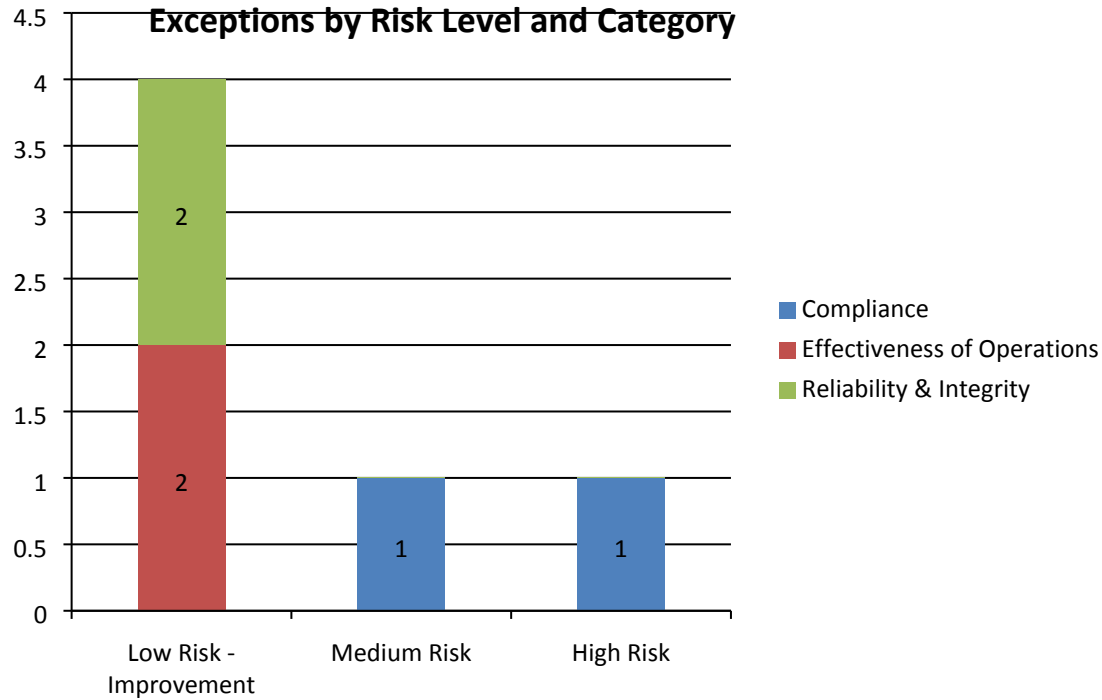
Project Name	Group	Project Status	Projected Reporting Date
F&C - Housing Benefit	Strategy	Field Work	September 2017
F&C - Payroll	Strategy	Field Work	September 2017
F&C - Treasury Management	Strategy	Field Work	September 2017
C&F - Family Matters Grant	Operations	Planning	September 2017
GRTH - Studio 144	Operations	Planning	September 2017

Unplanned Work:

Since 1st April 2017 to 10th July 2017, Internal Audit have provided advice in the following area. (For reference, Advice is only recorded when the time taken to provide the advice exceeds 1 hour).

- SeaCity Museum - Following the fire and subsequent theft that occurred, Internal Audit were contacted to review the processes in place relating to cash security and evacuation. Upon review of the processes for storing and securing cash, Internal Audit did not highlight any issues which required addressing. Cash is secured during the day and access to the till system is restricted. Evacuation processes were followed and the theft occurred based on the actions of the perpetrator, not the failure of processes.

Exceptions Raised in Issued Audits 2017/18



Category	Example
Achievement of Organisational Objectives (AOO)	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. As we are so early into the current year, the graph does not have sufficient data to highlight and trends or issues in a given category.

Audit Plan Status/Changes:

The 2017/18 Audit Plan currently contains 45 separate audits. This is an increase of 5 since the Audit Plan was approved by the Committee in April 2017. As previously agreed, a full revision to the audit plan will be presented in September 2017 along with an Internal Audit Strategy. The audits that have been added since April 2017 are:

Projects Added	
A)	C&F - School Financial Value Standards (SFVS)
B)	C&F - Family Matters Grant
C)	HAC - Direct Payments
D)	T&U - TranMan
E)	GRTH - Studio 144

- A) The SFVS audit has been added as an annual submission is required by SCC to the Department of Education, regarding the Schools annual self-assessments on financial matters. (This relates to maintained schools only) Whilst the returns are submitted to finance an independent verification of the submission is required to ensure that the declarations made can be evidenced as accurate.
- B) The Family Matters Grant audit has been added as independent claims verification is required for each grant submission. All proposed claims will be verified and reported individually.
- C) Direct Payments has been added to the plan due to the Limited Assurance audit opinion issued by the previous audit team and following discussions held with the Service Director for Adult & Housing. Internal Audit will act in a consultative capacity during the system redesign stage before carrying out a full audit at the end of the financial year.
- D) TranMan (the fleet management database used at the City Depot) has been added as an audit following discussion with the Service Director for Transactions & Universal and the Service Lead for Waste, Fleet and Street Cleansing over their concerns relating to the

internal control systems and following an initial overview of the database. The audit will review the processes and administration accesses of the database.

- E) Studio 144 has been added at the request of the s151 Officer and Service Director for Finance & Commercialisation. This project has been delayed and is currently over budget. Therefore an audit will be conducted on the processes and governance arrangements.

In addition to the above and at the request of the Chief Operating Officer the previously titled audit of 'Fire Risk Assessments' has been amended to 'Tower Blocks' as the audit will now only focus on the high rise flats owned by the Council. The review will incorporate reviewing compliance with the Fire Policy and other legislative requirements such as gas and electricity checks. The emergency procedures in place for the Tower Blocks will also be reviewed in relation to their accuracy of current practice and recording of incidents. The technical elements regarding evacuation are not within the remit of Internal Audit.

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.