



Internal Audit Progress Report

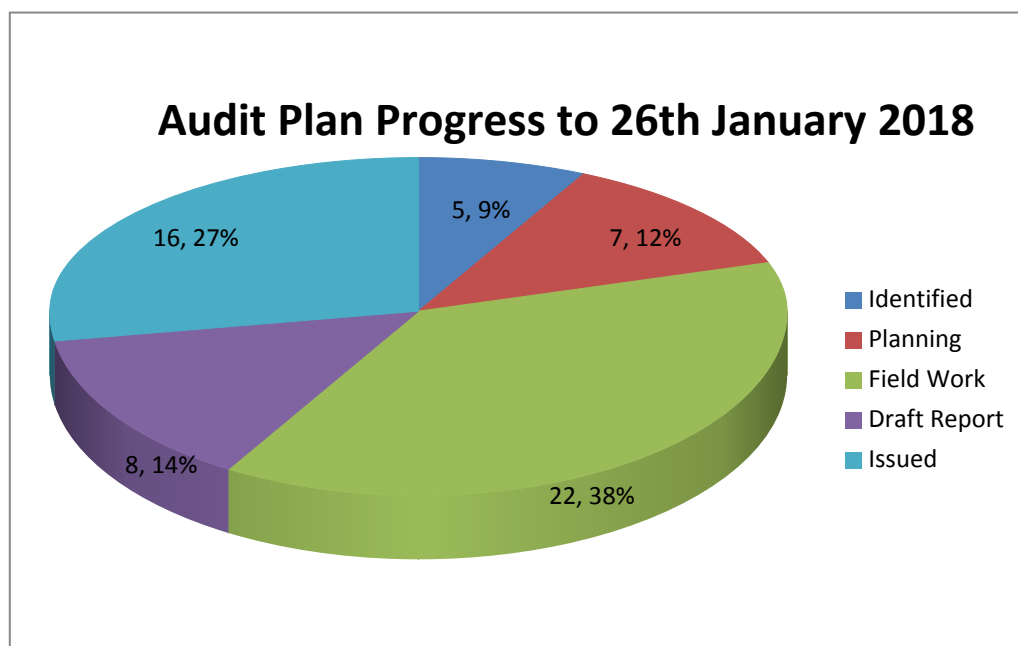
12th February 2018 Governance Committee

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 26th October 2017 to 26th January 2018 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:



27% of the Audit Plan has been completed as at 26th January 2018. 14% of the Audit Plan is in draft report stage. 53% of the Audit Plan is in progress. The remaining 9% has yet to commence. This is based on 58 audits.

Completed Audits between 26th October 2017 and 26th January 2018:

Project Name	Hub	Opinion	Direction	No. Critical Risk	No. High Risk	No. Medium Risk	No. Low Risk	Summary
F&C - Disabled Facilities Grant	Strategy	Reasonable Assurance	No previous audit	-	-	2	-	2 Medium risk exceptions arose. One relates to a lack of evidence regarding the 2016/17 grant determination sign off. The second relates to gaps in the information held relating to the grant expenditure.
F&C - Bus Subsidy	Strategy	Assurance	No previous audit	-	-	-	-	No exceptions arose
F&C - VAT	Strategy	Reasonable Assurance	2014/15 Substantial Assurance	-	-	1	-	1 Medium risk exception arose as a number of VAT numbers held against suppliers were not valid.
HR - Expenses Travel Subsistence	Strategy	Limited Assurance	No previous audit	-	2	1	-	2 high risk and 1 medium risk exceptions arose. The high risks relate to a lack of monitoring for employees with critical car usage and a lack of claim information/ supporting evidence in enable VAT to be reclaimed. The medium risk relates to a lack of clarity for employees as to what they are entitled to claim for.
DBO - Email and Internet Controls	Operations	Limited Assurance	No previous audit	-	2	2	1	2 high, 2 medium and 1 low risk exception arose. The high risks relate to a low use of email encryption for sensitive emails. And accounts of former employees not being deleted. The medium risks relate to employee understanding of policies and a lack of correct authorisation on website access requests. The low risk relates to outdated IT policies.

HAC - Supported Housing Schemes	Operations	Limited Assurance	No previous audit	-	3	3	3	3 high, 3 medium and 3 low risk exceptions arose. The high risks relate to safe access, resident money being held in the safe and a weakness in security regarding personal data. The medium risks relate to Disclosure and Baring Service checks, TV licence payments and staff training. The low risks relate to lone working practice, banking process and family relationships within the staffing teams.
DBO - Tower Blocks	Operations	Limited Assurance	No previous audit	-	3	-	-	3 high risk exceptions arose. These relate to a lack of Fire Risk Assessments (FRA's) for all Tower Blocks, incomplete action plans from conducted FRA's and a lack of compliance with Statutory Inspections on a number of properties.
HAC - Appointeeships	Operations	No Assurance	No previous audit	-	8	2	-	Please see exempt item

Audits in Draft Report Stage:

Project Name	Hub	Project Status	Projected Reporting Date
L&G - Social Media	Strategy	Draft Report	April 2018
GRTH - Studio 144	Operations	Draft Report	April 2018
HAC - DOLs Deprivation of Liberty	Operations	Draft Report	April 2018
C&F - Home to School Transport	Operations	Draft Report	April 2018
F&C - Bank Account	Strategy	Draft Report	April 2018
F&C - Housing Rents and Debt Management	Strategy	Draft Report	April 2018
F&C - Purchase Cards	Strategy	Draft Report	April 2018

C&F - Fostering Arrangements	Operations	Draft Report	April 2018
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Audits in progress:

Project Name	Hub	Project Status	Projected Reporting Date
DBO - Disaster Recovery Business Continuity	Operations	Field Work	April 2018
DBO - CCTV	Operations	Field Work	April 2018
DBO - Procurement	Strategy	Field Work	April 2018
DBO - IT Telecommunications	Strategy	Field Work	April 2018
C&F - Adoption	Operations	Field Work	April 2018
HAC - Adults Safeguarding	Operations	Field Work	April 2018
ICU - Quality Assurance	Strategy	Field Work	April 2018
P&H - Public Health	Strategy	Field Work	April 2018
T&U - TranMan	Operations	Field Work	April 2018
F&C - Accounts Payable	Strategy	Field Work	April 2018
HAC - Direct Payments	Operations	Field Work	April 2018
C&F - Family Matters Grant	Operations	Field Work	April 2018
TRAN - Local Authority Trading Company	Transformation	Field Work	April 2018
F&C - Income and Collection Sites	Strategy	Field Work	April 2018
T&U - Water Quality	Operations	Field Work	April 2018
T&U - Asbestos	Operations	Field Work	April 2018
DBO - Contract Strategic Framework	Operations	Field Work	April 2018
HR - Recruitment	Strategy	Field Work	April 2018
DBO - British Gas	Operations	Field Work	April 2018
HAC - Residential Care Homes SCC run	Operations	Field Work	April 2018
DBO - Mobile Devices	Operations	Field Work	April 2018

HAC - Continuing Health Care	Operations	Field Work	April 2018
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Additional Audit Plan Information:

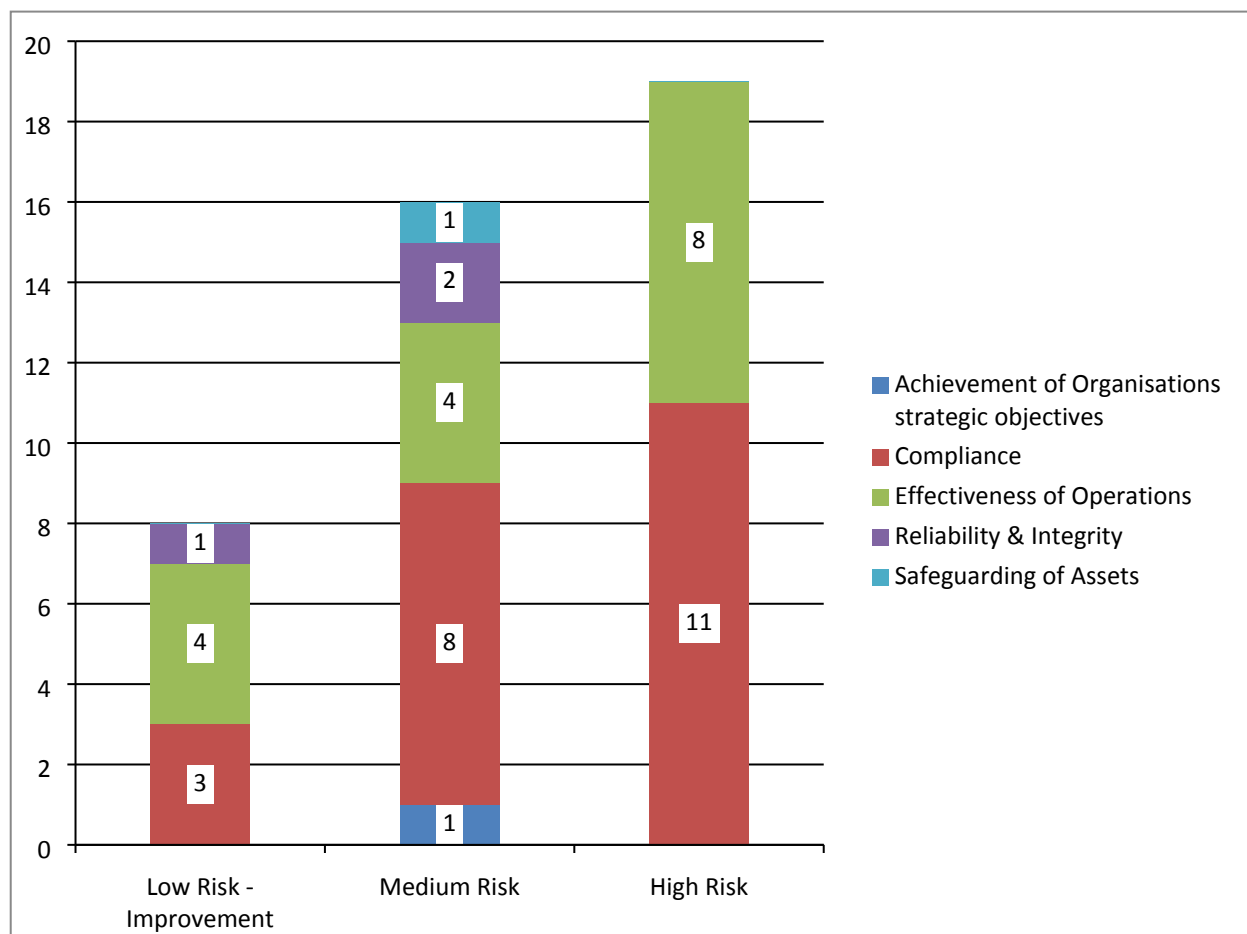
In relation to the **Family Matters Grant** audit noted above. This audit requires a review and sign off of 4 claims submitted throughout the financial year. At the current time, 3 of the 4 claims have been reviewed and signed off. The remaining claim will be actioned in quarter 4. Until all 4 claims have been signed off, the audit will remain in 'Fieldwork' on these update reports.

Unplanned Work:

Since 26th October 2017 to 26th January 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 workshops regarding the changes proposed in the Direct Payments process. The purpose is to provide advice on risks and controls on changes to the current process.
- Pest Control - A review of the processes for this service has taken place and Internal Audit has acted in a consultative capacity to assist.
- Housing Operations - Advice was sought in relation to the control surrounding obsolete stock.

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:

1. Exempt Item

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.