



SOUTHAMPTON
CITY COUNCIL

Internal Audit Progress Report 10th February 2020

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1. Introduction

Internal Audit is a statutory function for all local authorities.

The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015 as to:

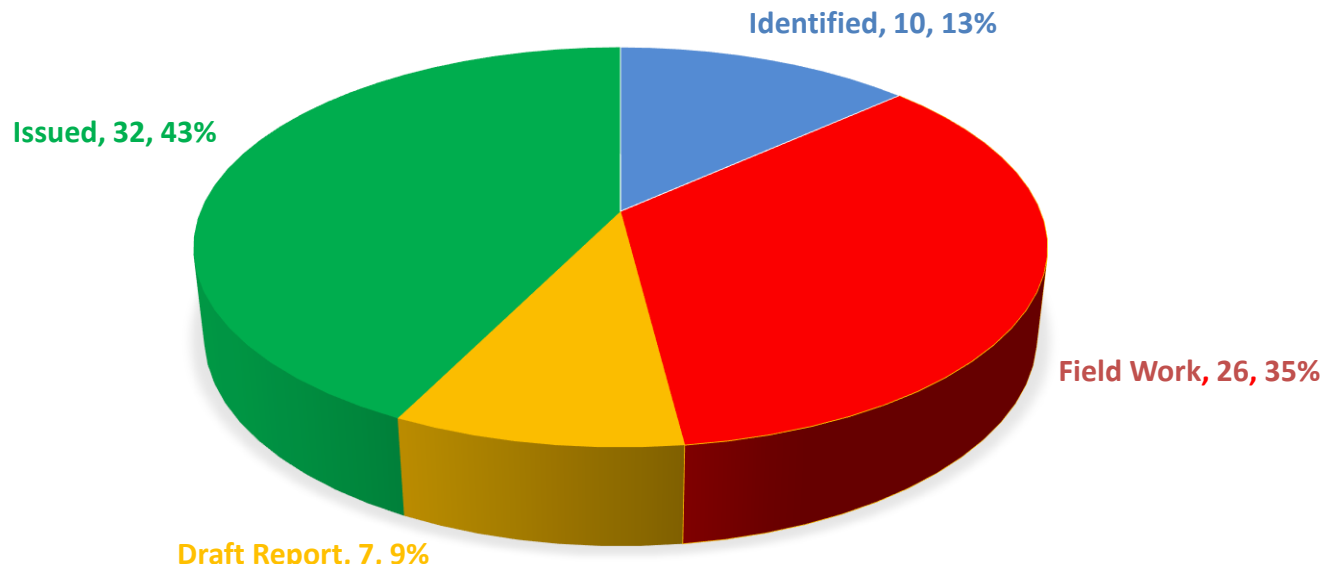
Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

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

This report includes the status against the 2019/20 internal audit plan.

2. Audit Plan Progress as of 24th January 2020



There are a total of 75 reviews in the revised plan 2019/20.

To date, 65 (87%) have been completed or are in progress as at 24th January 2020. This represents 32 (43%) audits where the report has been finalised, 7 (9%) where the report is in draft and 26 (35%) audits currently in progress.

| Status | Audits |
|--------------|-----------|
| Identified | 10 |
| Fieldwork | 26 |
| Draft Report | 7 |
| Final Report | 32 |
| Total | 75 |

3. Ongoing Internal Audit Involvement

Internal Audit has undertaken work or provided advice in the following areas. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- Anti-Money Laundering - This includes receipt of instances of large cash payments received and onward reporting if deemed appropriate.
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- Audit Planning and Consultation - This includes regular consultation with Directors and revision of the plan following subsequent research into individual assignments.
- Routine advice on controls and risk management.
 - PCI DSS – Advice provided to Finance regarding how payments are taken generally across the authority.
 - Write off – Advice provided on write off procedures and the current debt project being undertaken.
- Freedom of Information (FOI) Request
- 6 Investigations which are in various stages. A more detailed report of concluded investigations will form part of the annual fraud report which will be presented to the Governance Committee in due course.

4. Audit Plan Status/Changes

The following changes have been made to the plan since the September Governance Committee.

Audits removed from the Audit Plan:

- Mount Pleasant School – At the request of the school, it will be performed in quarter 1 of the 2020/21 financial year.
- Valuation Property, Plant & Equipment (Tech Forge) – Delayed until next financial year due to Business World implications.
- Public Health Outcomes – Delayed until next financial year due to additional work activities required to be carried out.
- ICU Quality Monitoring - Delayed until next financial year due to additional work activities required to be carried out.

5. Areas of Concern

There are no ‘no assurance’ opinion audits being reported on this period, all other findings are noted below.

6. 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.

7. 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

8. 2019/20 Audits completed to date (24th January 2020)

Better Care Fund

Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 0 | 1 | 0 |

Overall Assurance Level

| |
|------------|
| Reasonable |
|------------|

Assurance Level by Scope Area

| | |
|--|------------|
| Achievement of Strategic Objectives | NAT |
| Compliance with Policies, Laws & Regulations | Assurance |
| Safeguarding of Assets | Reasonable |
| Effectiveness and Efficiency of Operations | Assurance |
| Reliability and Integrity of Data | Assurance |

The medium risk relates to the in-year figures received from the Clinical Commissioning Group being accepted on trust with limited evidence of any sample testing or checking undertaken to support the figures.

Petty Cash

Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 0 | 1 | 0 |

Overall Assurance Level

| |
|------------|
| Reasonable |
|------------|

Agreed actions were scheduled to be implemented by November 2019

Assurance Level by Scope Area

| | |
|--|------------|
| Achievement of Strategic Objectives | NAT |
| Compliance with Policies, Laws & Regulations | Reasonable |
| Safeguarding of Assets | Assurance |
| Effectiveness and Efficiency of Operations | Assurance |
| Reliability and Integrity of Data | NAT |

The medium risk relates to a lack of valid receipts for 2/10 transactions sample tested Further analysis found a further 4/263 transactions had the description 'lost receipt'. Similarly for another petty cash account 2/10 transactions sampled did not include valid receipts. This monetary value for all transactions is low, the limit being £50.

National Non Domestic Rates (NNDR)
Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 0 | 1 | 0 |

Overall Assurance Level

Reasonable Assurance

Agreed actions were scheduled to be implemented by December 2019

Assurance Level by Scope Area

| | |
|--|------------|
| Achievement of Strategic Objectives | NAT |
| Compliance with Policies, Laws & Regulations | Assurance |
| Safeguarding of Assets | Reasonable |
| Effectiveness and Efficiency of Operations | NAT |
| Reliability and Integrity of Data | NAT |

The medium risk relates to testing identifying 1/10 payment plans tested had become voided in May 2019 and it had not been moved onto the next enforcement stage. The plan had been in place since October 2016 and 29 successful payments brought the arrears down to £743.62.

Council Tax
Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 1 | 1 | 0 |

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by March 2020

Assurance Level by Scope Area

| | |
|--|------------|
| Achievement of Strategic Objectives | NAT |
| Compliance with Policies, Laws & Regulations | NAT |
| Safeguarding of Assets | Reasonable |
| Effectiveness and Efficiency of Operations | Assurance |
| Reliability and Integrity of Data | NAT |

The high risk exception raised relates to a lack of a corporate write off policy. The medium risk relates to sample testing only being undertaken on 1/4 National Fraud Initiative reports in relation to Single Payer Discount.

Edge of Care (Family Engagement)
Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 0 | 2 | 0 |

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by March 2020

Assurance Level by Scope Area

| | |
|--|-------------------|
| Achievement of Strategic Objectives | Assurance |
| Compliance with Policies, Laws & Regulations | Reasonable |
| Safeguarding of Assets | NAT |
| Effectiveness and Efficiency of Operations | Assurance |
| Reliability and Integrity of Data | NAT |

The first medium risk relates to noted inconsistencies in relation to 15 closed cases. For example testing was unable to evidence 1/15 referral documents, 1/15 cases did not have intervention goals and scores recorded in Paris, 8/15 case files did not include care worker risk assessments and the average time taken from allocation to closure was 35.6 weeks which is higher than the 12 weeks specified in the service specification. The second medium risk relates to 10/15 cases where the social workers were not present at the joint visit alongside the Edge of Care worker and referred family. This is not a statutory requirement and the social worker was present from there on in.

Blue Badge
Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 1 | 0 | 0 |

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by February 2020

Assurance Level by Scope Area

| | |
|--|------------------|
| Achievement of Strategic Objectives | Assurance |
| Compliance with Policies, Laws & Regulations | Assurance |
| Safeguarding of Assets | Limited |
| Effectiveness and Efficiency of Operations | NAT |
| Reliability and Integrity of Data | Assurance |

The high risk relates to the 'eBadge' system, which contains personal data for blue badge holders, not having any automatic retention scheduling or data cleaning capabilities meaning the authority cannot currently comply with its privacy notice.

Short Breaks

Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 2 | 1 | 0 |

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by July 2020

Assurance Level by Scope Area

| | |
|--|------------|
| Achievement of Strategic Objectives | Assurance |
| Compliance with Policies, Laws & Regulations | Reasonable |
| Safeguarding of Assets | NAT |
| Effectiveness and Efficiency of Operations | Limited |
| Reliability and Integrity of Data | NAT |

The first high risk relates to 2/10 short break annual review being overdue a review. The second high risk relates to 2/10 not having an up to date (up to a year) Education, Health and Care Plan and 5/8 did not record the short break provision in section H1 and/or H2 as per statutory requirements. The medium risk relates to the Local Offer Annual Report published to the intranet not having been reviewed or updated since 2016.

HMO Licensing

Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 3 | 1 | 0 |

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by July 2020

Assurance Level by Scope Area

| | |
|--|---------|
| Achievement of Strategic Objectives | NAT |
| Compliance with Policies, Laws & Regulations | Limited |
| Safeguarding of Assets | Limited |
| Effectiveness and Efficiency of Operations | Limited |
| Reliability and Integrity of Data | NAT |

The first high risk relates to a backlog in licence condition monitoring although subsequent to the audit review a plan of action has been put in place. The second high risk relates to the discounted rate being applied over the grace period set out in the fees and charges policy resulting in a loss of income. The third high risk exception relates to a lack of monitoring of applications to highlight where insufficient action has been undertaken. The medium risk exception relates to the authority not promptly undertaking action where applications have been submitted with missing items.

Bassett Green Primary School

Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0 | 6 | 4 | 0 |

Overall Assurance Level

| |
|-------------------|
| Limited Assurance |
|-------------------|

Agreed actions are scheduled to be implemented by July 2020

Assurance Level by Scope Area

| | |
|--|------------|
| Achievement of Strategic Objectives | Reasonable |
| Compliance with Policies, Laws & Regulations | Limited |
| Safeguarding of Assets | Limited |
| Effectiveness and Efficiency of Operations | Limited |
| Reliability and Integrity of Data | Assurance |

The first high risk relates to the retention period for recruitment and vetting checks which were being held for longer than necessary. The second high risk relates to there being an unclear income management trail for uniform payments. The third high risk relates to there being no lettings charging policy which is required for approval by the full governing body. A martial arts group being setup without relevant checks being undertaken i.e. qualification, DBS check or obtaining signed acceptance of terms and conditions. The fourth high risk relates to insufficient record keeping for cash held. The fifth high risk relates to the lack of a CCTV Policy and the final high risk relates to the mini bus mileage not being recorded for journeys made by the primary school. The medium risks cover insufficient minutes and agenda for the Finance & Resources Committee, petty cash exceeding the cash limit, no written conditions for the use of the mini bus and there being no consistency in the recording of assets in inventory or evidence of physical checks being completed.

Disabled Facilities Grant – Additional Funding

Grant Verification – Based on testing completed there is sufficient evidence to support that the authority is adhering to the conditions of the grant. A statement to that effect has been provided as required by the grant determination.

Perinatal Mental Health Grant (Path 2)

Grant Verification – Based on testing completed there is sufficient evidence to support that the authority is adhering to the conditions of the grant. A statement to that effect has been provided as required by the grant determination.

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

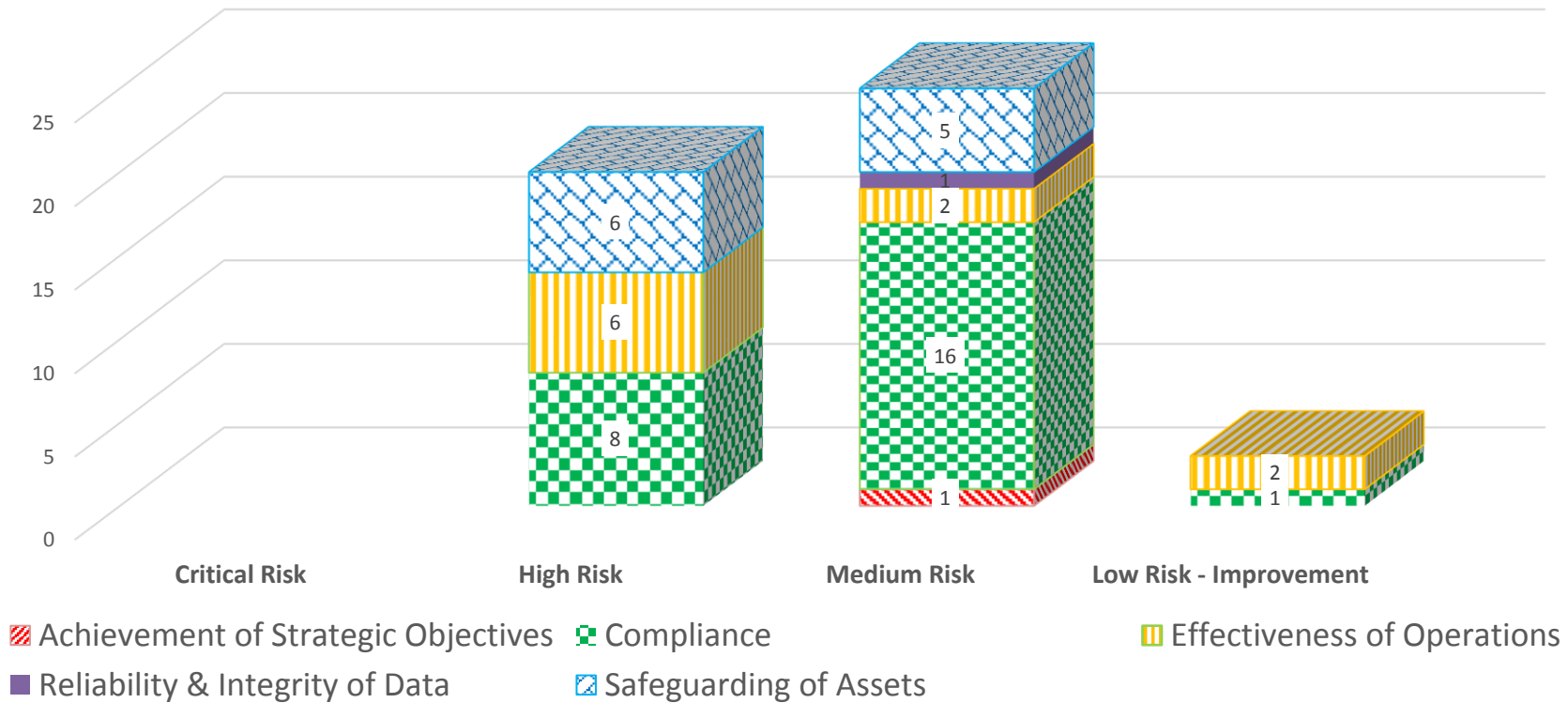
| Audit | Directorate | Draft Since | Projected Issue | Revised | Comments |
|---------------------|-----------------------------------|-------------|-----------------|---------|---|
| Insurance | Finance & Commercialisation | 24/01/2020 | February | April | At final review stage. |
| Museums | Growth | 30/01/2020 | February | April | Delayed due to limited availability of key contact. |
| Direct Payments | Adults, Housing & Communities | 30/01/2020 | November | April | Delayed due to additional testing and sickness absence. |
| Health and Safety | Human Resources & OD | 24/01/2020 | November | April | At final review stage. |
| IT Applications | Digital & Business Operations | 24/01/2020 | n/a | April | |
| Pest Control | Transactions & Universal Services | 13/01/2020 | n/a | April | |
| Treasury Management | Finance & Commercialisation | 24/01/2020 | n/a | April | |

11. Audits in Progress

| Audit | Directorate | Delayed | Projected Issued Date | Revised Issued Date | Comments |
|---|-------------------------------|---------|-----------------------|---------------------|---|
| Asbestos Construction Design Management | Corporate | Yes | February | April | Delay in providing documentation for site visits. |
| Voids | Adults, Housing & Communities | Yes | February | April | Delayed due to work pressures in the audit team. |
| Business World | Finance & Commercialisation | n/a | March | April | Work will be ongoing throughout the year. |
| Family Matters Grant | Children & Families | n/a | March | April | Grant is verified on a quarterly basis. |
| Perinatal Mental Health | Growth | n/a | March | April | Grant is verified throughout the year. |

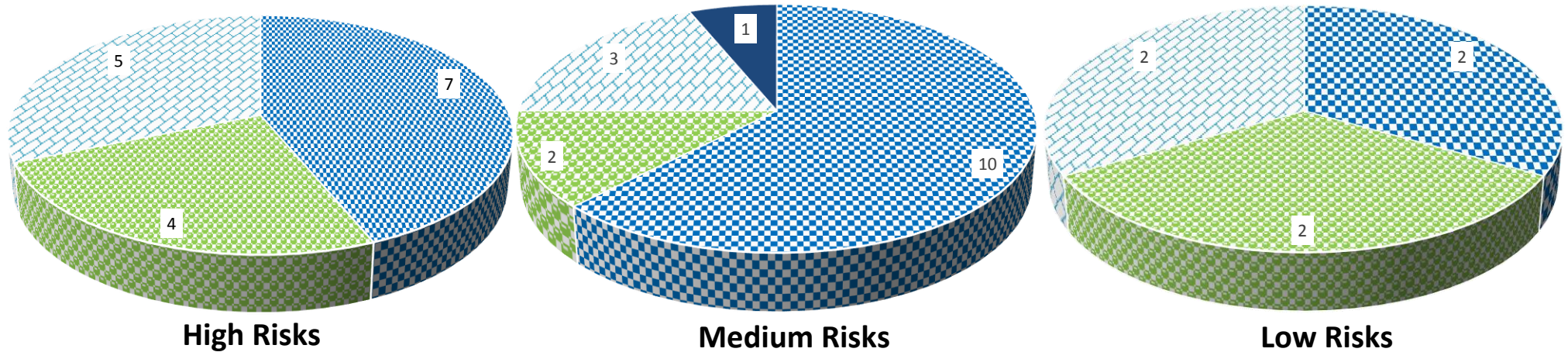
| | | | | | |
|---------------------------|-----------------------------------|-----|-------|--|--|
| Asbestos (follow up) | Corporate | n/a | April | | |
| Asset Management | Growth | n/a | April | | |
| Bank Account | Finance & Commercialisation | n/a | April | | |
| Contract (Electric Cars) | Growth | n/a | April | | |
| Customer Services | Intelligence & Business Insight | n/a | April | | |
| Data Management | Digital & Business Operations | n/a | April | | |
| Events | Intelligence & Business Insight | n/a | April | | |
| Flood Risk Management | Transactions & Universal Services | n/a | April | | |
| Housing Benefit | Finance & Commercialisation | n/a | April | | |
| Housing Depot | Adults, Housing & Communities | n/a | April | | |
| Housing Rents & Debt | Finance & Commercialisation | n/a | April | | |
| Independent Fostering | Children & Families | n/a | April | | |
| IT Procurement & Disposal | Digital & Business Operations | n/a | April | | |
| Learning & Development | Human Resources & OD | n/a | April | | |
| Leaseholder Charges | Adults, Housing & Communities | n/a | April | | |
| Mobile Devices | Digital & Business Operations | n/a | April | | |
| Recruitment & Retention | Human Resources & OD | n/a | April | | |
| St Monica School | Children & Families | n/a | April | | |
| Trees Income Collection | Transactions & Universal Services | n/a | April | | |
| Procurement | Digital & Business Operations | n/a | TBC | | |
| Project (Governance) | Growth | n/a | TBC | | |

12. Exception Analysis to Date



| | Achievement of Strategic Objectives | Compliance | Effectiveness of Operations | Reliability & Integrity | Safeguarding of Assets | Total |
|------------------------|-------------------------------------|------------|-----------------------------|-------------------------|------------------------|-----------|
| Critical Risk | | | | | | 0 |
| High Risk | | 8 | 6 | | 6 | 20 |
| Medium Risk | 1 | 16 | 2 | 1 | 5 | 25 |
| Low Risk - Improvement | | 1 | 2 | | | 3 |
| Grand Total | 1 | 25 | 10 | 1 | 10 | 48 |

13. Follow Up Analysis



Open

In Progress

Closed – Verified

Pending

Implemented but not effective

Closed – Not Verified/Accepts Risk

| | Open | Pending | In Progress | Implemented but not effective | Closed – Verified | Closed – Not Verified | Closed – Management Accepts Risk | Closed – No Longer Applicable |
|--------------------|-----------|---------|-------------|-------------------------------|-------------------|-----------------------|----------------------------------|-------------------------------|
| High Risk | 7 | | 4 | | 5 | | | |
| Medium Risk | 10 | | 2 | | 3 | 1 | | |
| Low Risk | 2 | | 2 | | 2 | | | |
| Grand Total | 19 | | 8 | | 10 | 1 | | |

The Internal Audit Service follows up all audits where at least 1 high risk exception has been raised. These audits 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 3 months due to the potential severity of the risks identified. The overall position of the exceptions followed up currently through 2019/20 shows that **26%** have been closed by audit, however **74%** remain open and or are in progress.