



**SOUTHAMPTON**  
CITY COUNCIL

## **Internal Audit Progress Report**

13<sup>th</sup> February 2023

Elizabeth Goodwin, Chief Internal Auditor

## **1. Introduction**

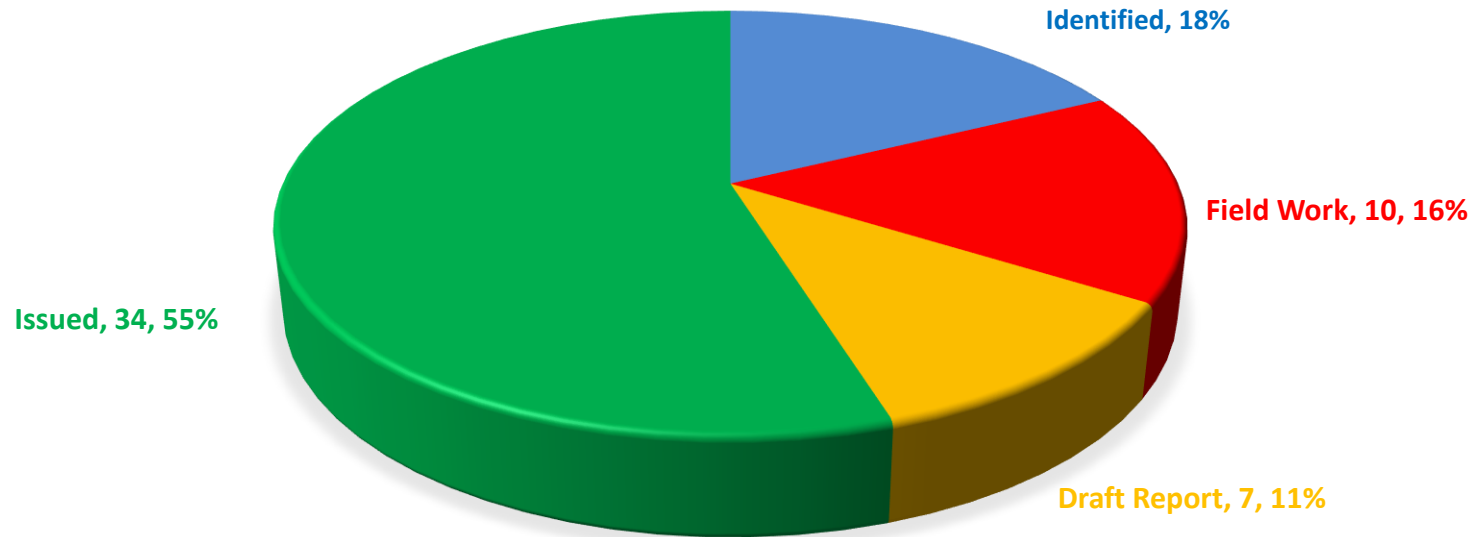
This report includes the status against the 2022/23 internal audit plan for this reporting period (27<sup>th</sup> October to 24<sup>th</sup> January 2023).

In summary 82% audits from the 2022/23 plan have been concluded or are in progress. All items yet to be fully completed will be finalised 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 24<sup>th</sup> January 2023



There are a total of 62 reviews in the 2022/23 Audit Plan as of 24<sup>th</sup> January 2023.

To date, 82% of audits have been completed or are in progress as of 24<sup>th</sup> January. This represents 34 (55%) audits where the report has been finalised, 7 (11%) where the report is in draft and 10 (16%) audits currently in progress.

Status	Previous Position	Current Position
Identified	29	11
Fieldwork	12	10
Draft Report	2	7
Final Report	22	34
<b>Total</b>	<b>65</b>	<b>62</b>

### 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 2022/23 Audit Plan:**

- Addition – Disabled Facilities Grant Process Review - process review required outside of grant verification
- Addition - Key Controls Assurance - due to emerging pattern of breaches
- Removed – Townhill Junior School - due to long term staff sickness at the school
- Removed - Asbestos - due to services implementation of outstanding action plan
- Removed - Health & Safety - due to services implementation of outstanding action plan
- Removed - Water Safety - due to services implementation of outstanding action plan
- Removed - Direct Payments - due to services delay in implementation of action

All the audits removed above will now be performed as part of the 2023/24 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
<b>Assurance</b>	<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>
<b>Reasonable Assurance</b>	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
<b>Limited Assurance</b>	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
<b>No Assurance</b>	<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>
<b>NAT</b>	<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
<b>Low Risk (Improvement)</b>	<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>
<b>Medium Risk</b>	<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>
<b>High Risk</b>	<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>
<b>Critical Risk</b>	<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. 2022/23 Audits completed since the last reporting period

### Data Intelligence (Public Health)

#### Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

#### Overall Assurance Level

<b>Assurance</b>
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#### Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	<b>Assurance</b>
Safeguarding of Assets	<b>Assurance</b>
Effectiveness and Efficiency of Operations	<b>Assurance</b>
Reliability and Integrity of Data	No Areas Tested

The audit review of the arrangements for Data Intelligence found that the authority was complying with the terms of its Public Health data sharing agreements.

### Deferred Payments

#### Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

#### Overall Assurance Level

<b>Assurance</b>
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#### Assurance Level by Scope Area

Achievement of Strategic Objectives	<b>Assurance</b>
Compliance with Policies, Laws & Regulations	<b>Assurance</b>
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	<b>Assurance</b>
Reliability and Integrity of Data	No Areas Tested

Based on the testing undertaken, Internal Audit was able to place assurances that the deferred payments process is of low risk to the authority.

**Disabled Facilities Grant Process Review**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	0	1

**Overall Assurance Level**

<b>Assurance</b>
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**Assurance Level by Scope Area**

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

The low risk exception relates to clearly documenting the approval and basis for non-Disabled Facilities Grant expenditure.

**Engaging Third Parties (End-to-End Procurement Process)**
**Exceptions Raised**

Critical	High	Medium	Low
0	3	0	0

**Overall Assurance Level**

<b>Limited</b>
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**Assurance Level by Scope Area**

Achievement of Strategic Objectives	<b>Limited</b>
Compliance with Policies, Laws & Regulations	<b>No Areas Tested</b>
Safeguarding of Assets	<b>No Areas Tested</b>
Effectiveness and Efficiency of Operations	<b>Limited</b>
Reliability and Integrity of Data	<b>No Areas Tested</b>

The first high risk exception relates to a lack of service area expertise in preparing tender documentation and specifying the requirements for the procurement exercises. Testing identified 35 projects with procurement needs which were still awaiting a specification to be drafted, on average 73 weeks from the initial request. The second high risk relates to testing identifying only 16% of completed projects were planned, impacting on the ability to resource and forward plan more difficult. At the time of testing, 57% of projects were listed as 'at a standstill, has high risk issues, a lack of stakeholder engagement or timescales were unachievable'. The final high risk related to concerns with the validity of system data and its impact on corporate reporting. It should be noted that the causes of these risks are authority wide with service areas not completing documentation to schedule and undertaking ineffective procurement planning causing delays to procurement exercises.



**Fundings Pathways**
**Exceptions Raised**

Critical	High	Medium	Low
0	1	0	0

**Overall Assurance Level**

<b>Reasonable</b>
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**Assurance Level by Scope Area**

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

The high risk exception relates to testing identifying a lack of formal terms of reference for panels including the delegation to the panel of authority to commit public funds to Adult Social Care cases.

**Vermont School**
**Exceptions Raised**

Critical	High	Medium	Low
0	3	3	0

**Overall Assurance Level**

<b>Limited</b>
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**Assurance Level by Scope Area**

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

The first high risk relates to the school not developing and maintaining an asset register in line with the local scheme for financing schools. The second high risk relates to a lack of a finalised business continuity plan. The third high risk relates to purchase orders not being raised before the goods were invoiced and a lack of receipts for purchase card transactions. The three medium risks relate to the website not conforming to legislative requirements, a lack of security to safeguard confidential paper records and a minor discrepancy between cash held on site and system information.

**List of Completed Grants**

<b>Grant Outcomes:</b>	<b>Assurance/Certified</b>
1. Disabled Facilities Grant	
2. EU Perinatal Mental Health Grant Claim 9	

## 8. 2022/23 Follow-up Audits completed since the last reporting period

### IT Feeder Systems

#### Original Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Latest implementation date scheduled was March 2022  
Revised date: March 2023

#### Original Assurance Level

Limited
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#### Follow Up Assurance

Limited
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#### 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) 1 (Medium)	0	0	0	0	0

Follow up testing found that the first high risk relating to completeness and accuracy checks on transferred data with the action being delayed awaiting upgrades in feeder systems. The second high risk relating to the infrastructure for supporting bulk data feeds into Business World, remains in progress as while there is greater business continuity planning, there are still issues with reliance on a single staff member. The third high risk relating to system security remained in progress with steps being taken with revised implementation dates. The medium risk is due to a lack of automation when transposing data from feeder systems to Business World which remains in progress awaiting full implementation of the DASH roadmap.

### St Patrick's Catholic Primary School

#### Original Exceptions Raised

Critical	High	Medium	Low
0	1	3	0

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

#### Original Assurance Level

Reasonable
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#### Follow Up Assurance Level

Assurance
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#### 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	2 (Medium)	1 (High) 1 (Medium)	0	0

Follow up testing was able to close the high risk and 3 medium risk exceptions.

**Mansbridge Primary School**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	6	2	0

Latest implementation date scheduled was December 2021  
Revised date: January 2023

**Original Assurance Level**

Limited
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**Follow Up Assurance**

Reasonable
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**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) 1 (Medium)	0	2 (High)	0	2 (High) 1 (Medium)	1 (High)	0	0

Follow up testing was able to close 3 high and 1 medium risk exception. One high risk relating to the terms of reference remains in progress due to the lack of clear terms for the financial management of the school. The first high risk in progress covers a lack of skills matrix with testing identifying a skills analysis which is yet to be undertaken. The second high risk involving petty cash remain in progress due to the account going overdrawn on one occasion. A medium risk relating to inventory remains in progress due to inventory checks not being implemented.

**Shirley Warren Learning Campus (Primary & Nursery School)**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	3	4	0

Latest implementation date scheduled was December 2021  
Revised date: March 2023

**Original Assurance Level**

Limited
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**Follow Up Assurance Level**

Reasonable
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**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) 1 (Medium)	0	1 (High) 3 (Medium)	1 (High)	0	0

Follow up testing was able to close 2 high and 3 medium risk exceptions. One high risk relating to the Schools Financial Value Standard self-assessment (SFVS) remains in progress due to there being 10 "in part" or "no" responses and the summary of agreed actions and timetable section had not been completed. The medium risk covering raising purchase orders, remains in progress as a sample of 5 invoices found 1 had not raised a purchase order.

## 9. Follow-up Action Categorisation

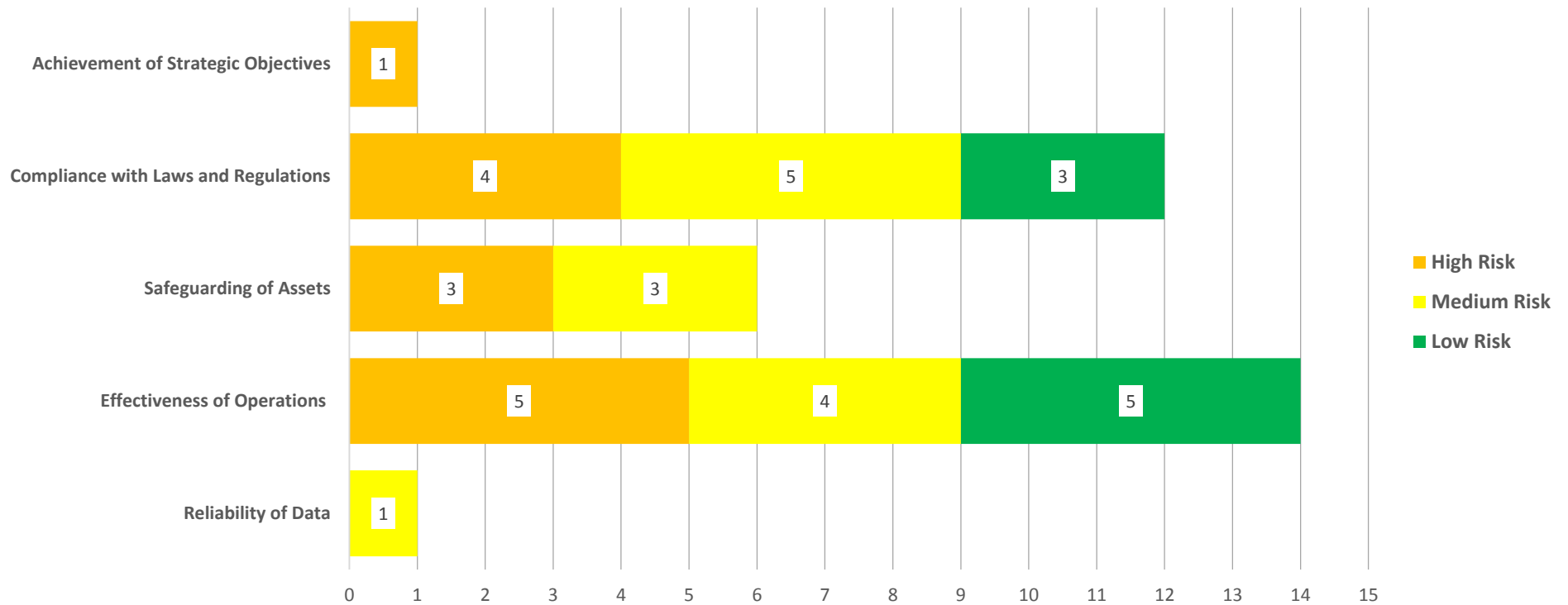
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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
Deprivation of Liberty	Wellbeing & Housing	April 2022		
Fleet Management	Place	April 2022		
Houses in Multiple Occupation (HMO)	Place	April 2022		
Operator Licence	Place	April 2022		
Public Health Outcomes	Wellbeing & Housing	April 2022		
Tower Blocks (Safety Compliance)	Wellbeing & Housing, Place	April 2022		
Waste Management	Place	April 2022		

## 11. Exception Analysis to Date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk	1	4	5		3	13
Medium Risk		5	4	1	3	13
Low Risk - Improvement		3	5			8
<b>Grand Total</b>	<b>1</b>	<b>12</b>	<b>14</b>	<b>1</b>	<b>6</b>	<b>34</b>