



Internal Audit Progress Report

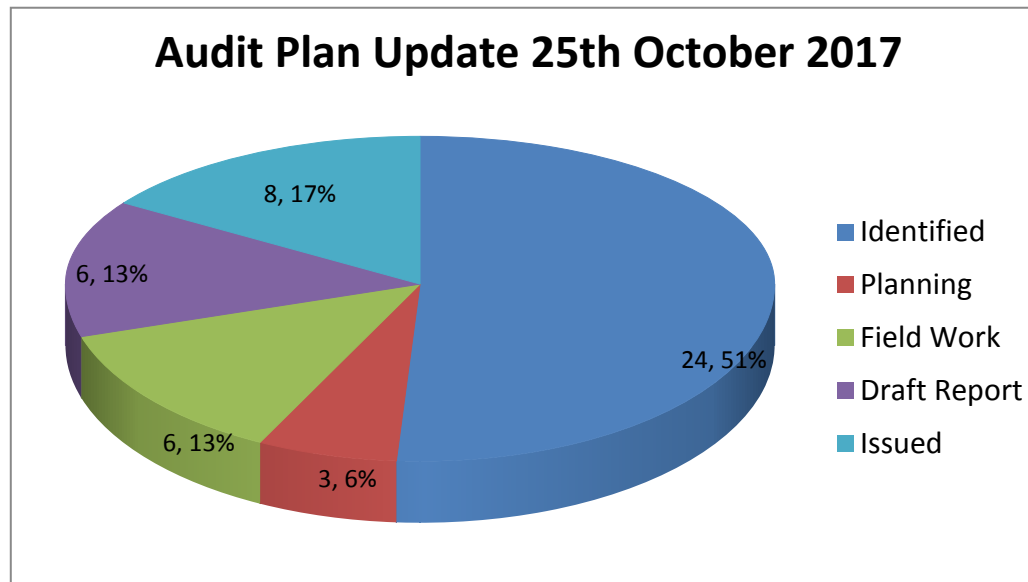
13th November 2017 Governance Committee

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. An in house team is now in place which currently consists of an Audit Manager and two Auditors.

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 11th July 2017 to 25th October 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:



17% of the Audit Plan has been completed as at 31st October 2017. 13% of the Audit Plan is in draft report stage. 23% of the Audit Plan is in progress. The remaining 51% has yet to commence. This is based on 47 audits an increase of 2 since the previous report.

Completed Audits between 11th July 2017 and 25th October 2017:

Project Name	Hub	Opinion	Direction	No. Critical Risk	No. High Risk	No. Medium Risk	No. Low Risk	Summary
F&C - Housing Benefit	Strategy	Assurance	2016/17 - Substantial Assurance	-	-	-	-	No exceptions were raised as part of this audit
F&C - Payroll	Strategy	Reasonable Assurance	2015/16 - Substantial Assurance	-	-	3 (EEO)	1 (SOA)	3 Medium and 1 Low risk exception arose. The medium risk exceptions relate to a lack of reporting available on pay variances, late submission of pension data to the Local Government Pension Scheme and insufficient checks on final salary payments. The low risk exception relates to an inconsistent approach used for new staff notification methods which may cause inaccuracies in payroll data.
F&C - Treasury Management	Strategy	Assurance	2015/16 - Substantial Assurance	-	-	-	-	No exceptions were raised as part of this audit
L&G - Annual Governance Statement	Strategy	Assurance	N/A	-	-	-	-	No exceptions were raised as part of this audit

(Testing under the following areas: SOA=Safeguarding of Assets, EEO=Effectiveness of Operations)

Audits in Draft Report Stage:

Project Name	Group	Project Status	Projected Reporting Date
GRTH - Studio 144	Operations	Draft Report	December 2017
HAC - Supported Housing Schemes	Operations	Draft Report	December 2017
HR - Expenses Travel Subsistence	Strategy	Draft Report	December 2017
F&C - VAT	Strategy	Draft Report	December 2017
DBO - Email and Internet Controls	Operations	Draft Report	December 2017
HAC - Appointeeships	Operations	Draft Report	December 2017

Audits in progress:

Project Name	Group	Project Status	Projected Reporting Date
L&G - Social Media	Strategy	Field Work	December 2017
F&C - Disabled Facilities Grant	Strategy	Field Work	December 2017
C&F - Family Matters Grant	Operations	Field Work	December 2017
HAC - DOLs Deprivation of Liberty	Operations	Field Work	December 2017
DBO - Tower Blocks	Operations	Field Work	December 2017
F&C - Housing Rents and Debt Management	Strategy	Field Work	December 2017
C&F - Home to School Transport	Operations	Planning	December 2017
DBO - Contract Strategic Framework	Operations	Planning	December 2017
F&C - Bank Account	Strategy	Planning	December 2017

Additional Audit Plan Information:

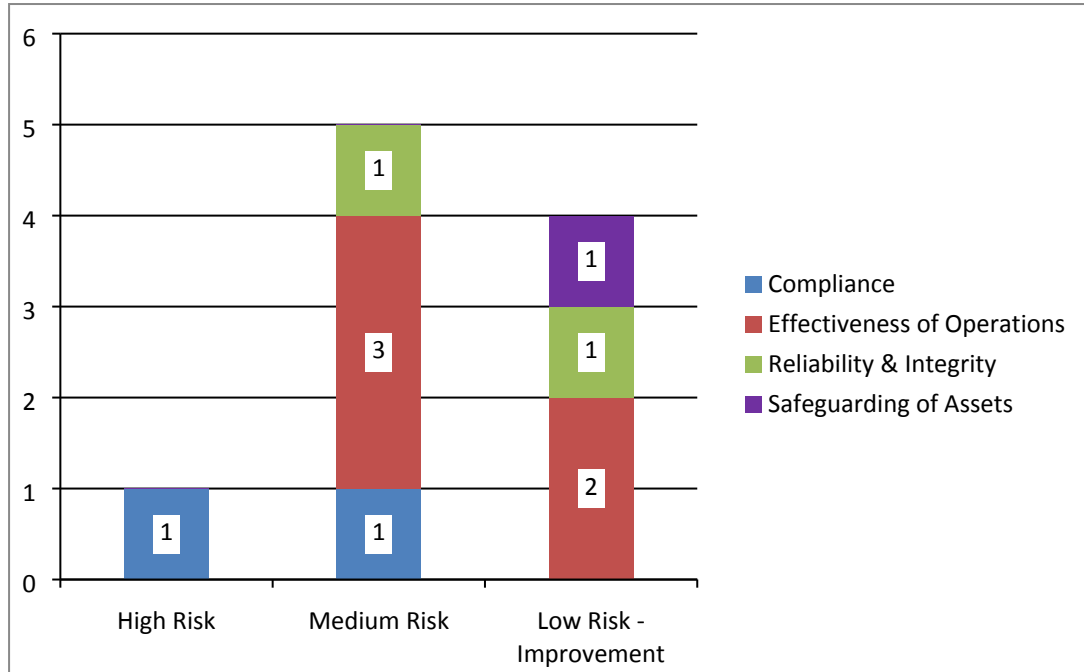
In relation to the **Family Matters Grant** audit noted above. This audit requires a review and sign off of 4 claims submitted throughout the financial year. At the current time, 2 of the 4 claims have been reviewed and signed off. The remaining claims will be actioned as and when they are required throughout the year. Until all 4 claims have been signed off, the audit will remain in 'Fieldwork' on these update reports.

Unplanned Work:

Since 11th July 2017 to 25th October 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).

- 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.

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:

The 2017/18 Audit Plan currently contains 45 separate audits, which has increased to 47 between reporting. As stated in the July 2017 update, a full revised audit plan has been agreed with the s151 Officer and the Senior Leadership team (SLT) and can now be presented to this committee. The revised audit plan has resulted in a further 13 audits being included within the plan. These are outlined below:

Project	Reason for inclusion
HAC - Appointeeship	Included at the request of the s151 Office
L&G - Social Media	Included following receipt of communications from the Office of the Surveillance Commissioner
P&H - Public Health	Limited assurance given in 15-16 no follow up work carried out, full audit required
ICU - Quality Assurance	Limited assurance given in 15-16 no follow up work carried out, full audit required
HAC - Adults Safeguarding	Limited assurance given in 15-16 no follow up work carried out, full audit required
C&F - Multi Agency Resource Panel	Limited assurance given in 15-16 no follow up work carried out, full audit required
C&F - Adoption	Limited assurance given in 15-16 no follow up work carried out, full audit required
C&F - Children's Safeguarding (Protection & Court Teams)	Limited assurance given in 15-16 no follow up work carried out, full audit required
DBO - IT Telecommunications	Limited assurance given in 15-16 no follow up work carried out, full audit required
HR - Health & Safety	Limited assurance given in 16-17
C&F - Short Breaks	Limited assurance given in 16-17
DBO - Procurement	Limited assurance given in 16-17
GRTH - Property Investments	Included at the request of the CEO

Based on the revisions noted above, the Audit Plan for 2017/18 will now consist of 58 separate audits.

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.