Internal Audit Progress Report

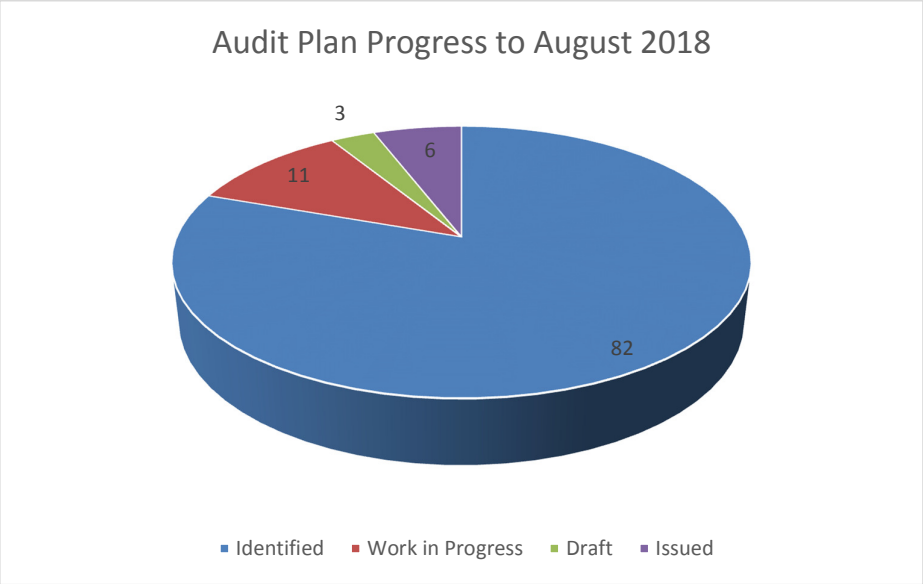
10th September 2018 Governance Committee

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 2018/19 Audit Plan for the period 1st April 2018 to 29th August 2018 and highlight any areas of concern that may have arisen during the completed audits. In addition, the results of the 6 outstanding audits from the 2017/18 audit plan are also included.

Audit Plan Progress:



20% of the Audit Plan has been completed or is in progress as at 29th August 2018. The remaining 80% has yet to commence. This is based on 102 audits, which includes follow up reviews.

Completed Audits between 1st April 2018 and 29th August 2018:

Project Name	Hub	Opinion	Direction	No. Critical Risk	No. High Risk	No. Medium Risk	No. Low Risk	Summary
School's Financial Values Statement	Strategy (SD Finance & Commercialisation)	Reasonable Assurance		-	-	1	-	No High Risk exceptions arose
PUSH	Strategy (SD Finance & Commercialisation)	Assurance		-	-	-	-	No High Risk exceptions arose
Supported Housing Scheme (Follow Up)	Operational (SD Adults Housing & Communities)	Reasonable Assurance	Previously Limited Assurance	-	-	-	-	Significant progress had been made in addressing the risks identified during the original audit
Right to Buy	Operational (SD Adults Housing & Communities)	Reasonable Assurance		-	1	1	1	High risk relates the level of fraud checks that are currently undertaken on Right to Buy applications.
Residential Units (Follow Up)	Operational (SD Adults Housing & Communities)	Limited Assurance	Previously Limited Assurance	-	4	2	1	All previous exceptions raised are in progress but not yet complete however audit can evidence that progress has been made to reduce the risk exposure
Disabled Facilities Grant	Strategy (SD Finance & Commercialisation)	Reasonable Assurance		-	-	- 2	-	No High Risk exceptions arose

Audits in Draft Report Stage:

Project Name	Hub	Project Status	Projected Reporting Date
Direct Payments Children's	Operational (SD Children and Families)	Draft	November 2018
Fostering	Operational (SD Children and Families)	Draft	November 2018
Agency / Temps	Strategy (SD HR & Organisational Development)	Draft	November 2018

Audits in progress:

Project Name	Hub	Project Status	Projected Reporting Date
Local Authority Bus Subsidy	Strategy (SD Finance & Commercialisation)	Work In Progress	November 2018
Pest Control	Operational (SD Transactional & Universal)	Work In Progress	November 2018
Pupil Referral Unit	Operational (SD Children and Families)	Work In Progress	January 2018
Care Leavers	Operational (SD Children and Families)	Work In Progress	November 2018
Children in Need	Operational (SD Children and	Work In Progress	November 2018

	Families)		
Looked After Children	Operational (SD Children and Families)	Work In Progress	November 2018
Adoption	Operational (SD Children and Families)	Work In Progress	November 2018
DOLS	Operational (SD Adults Housing & Communities)	Work In Progress	November 2018
Regeneration Projects	Operational (SD Growth)	Work In Progress	January 2019
Payroll	Strategy (SD HR & Organisational Development)	Work In Progress	November 2018
Expenses Travel & Subsistence	Strategy (SD HR & Organisational Development)	Work In Progress	November 2018

Additional Audit Plan Information:

6 Audits remained in draft from the 2017/18 Audit Plan at the last reporting cycle. An update on the audits is provided below:

Project Name	Hub	Opinion	Direction	No. Critical Risk	No. High Risk	No. Medium Risk	No. Low Risk	Summary
Procurement & Contract Framework (two audits merged into one)	Strategy	Procurement Processes - Limited Assurance Procurement Compliance - No Assurance		1	5	1	-	See Appendix A
Leisure Contract	Operations	Limited Assurance		-	2	1	-	The high risk exceptions relate to an issue of repair works yet to be completed and risk assessments undertaken by the contractor are not being requested to be held by the Council.
Payables	Strategy	No Assurance		-	6	1	1	See Appendix B
Health & Safety	Strategy	Draft						
Children's Safeguarding	Operations	Limited Assurance		-	1	1	-	The high risk exception relates to GDPR compliance regarding permission to share information.

Unplanned Work:

Since 1st April 2018 to 29th August 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.

- Data Analysis and data matching in relation to Duplicate Invoices. Work has been undertaken to use data analytics software to identify potential duplicate invoices and or payments with the view to conduct continuous testing in this area
- Procure to Pay - Internal Audit attended the workshops for this area and assisted in the production of process workflows

Audit Plan Status/Changes:

There have been no changes to the Audit Plan since the last update.

Areas of Concern:

Two new areas of concern have been raised in relation to two audits that have been given a level of No Assurance. These relate to Procurement Compliance and Payables. Summaries of the issues raised for these audits can be found in Appendix A & B

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.