



SOUTHAMPTON
CITY COUNCIL

Internal Audit Progress Report

14th November 2022

Elizabeth Goodwin, Chief Internal Auditor

1. Introduction

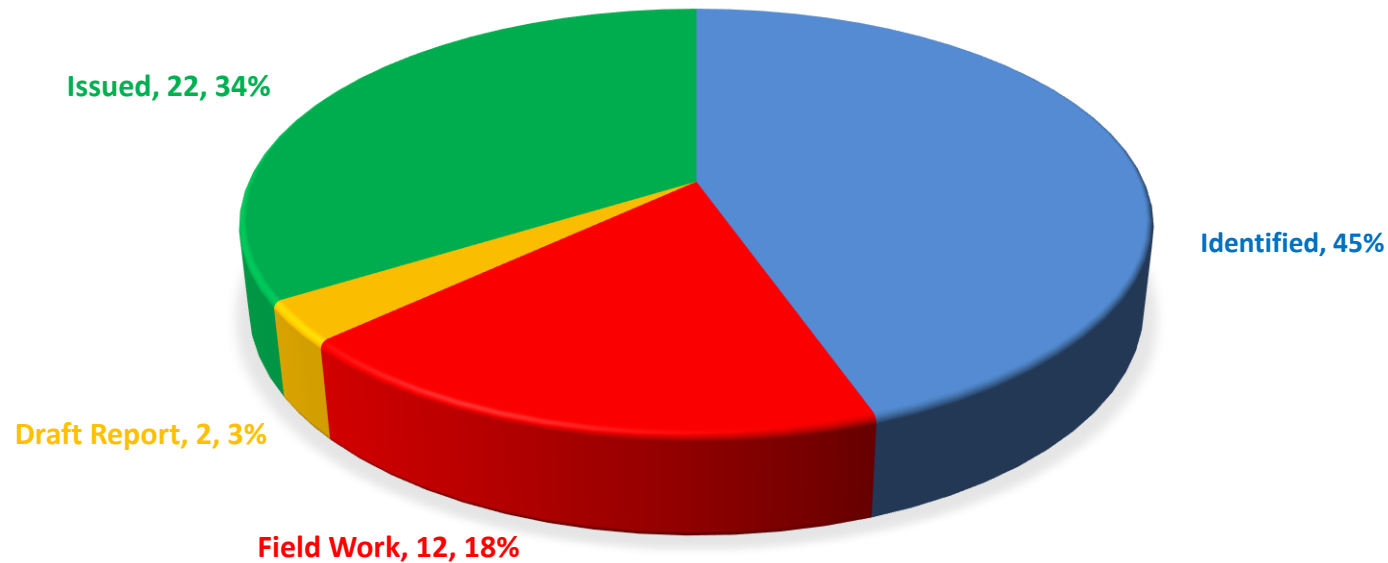
This report includes the status against the 2022/23 internal audit plan for this reporting period (1st April to 26th October 2022).

In summary 55% audits from the 2022/23 plan have been concluded or are in progress. All items yet to be fully completed will be finalised by the end of the financial year 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 26th October 2022



There are a total of 65 reviews in the 2022/23 Audit Plan as of 26th October 2022.

To date, 55% of audits have been completed or are in progress as of 26th October. This represents 22 (34%) audits where the report has been finalised, 2 (3%) where the report is in draft and 12 (18%) audits currently in progress.

Status	Previous Position	Current Position
Identified	65	29
Fieldwork	0	12
Draft Report	0	2
Final Report	0	22
Total	65	65

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 – Contain Outbreak Management Fund – grant sign-off required.
- Addition – EU Perinatal Mental Health Grant Claim 9 – grant sign-off required.
- Addition – Fleet Management – added as second follow up is required.
- Addition – Ground Maintenance - added as second follow up is required.
- Addition – HMO Licensing - added as second follow up is required.
- Addition – Omicron Business Grant – post payment assurance checks.
- Addition – School Condition Funding – new grant.
- Addition – Test & Trace Support Payments – post payment assurance checks for grant compliance.
- Addition – Ukrainian Accommodation Support – added independent accommodation support.
- Addition – Universal Drug Treatment – grant sign-off required.
- Removed – Absence Management – to accommodate additional grant work.
- Removed – Air Quality – removed to accommodate extra work.
- Removed – Asset Requisition & Disposal – removed to accommodate extra work.
- Removed – Business Support – removed to accommodate extra work.
- Removed – Direct Contact & Levels of Supervision – removed to accommodate extra work.
- Removed – Equality Act Compliance – removed to accommodate extra work.
- Removed – Home Bit Lettings – removed to accommodate extra work.
- Removed – Joint Funding – removed following re-risk assessment and additional work.
- Removed – Multi Agency Safeguarding Hub (MASH) – removed to accommodate extra work.
- Removed – Partnership HCC & Balfour Beatty – management controls robust reduced risk rating.
- Removed – Residents Parking – removed to accommodate additional grant work.
- Removed – Section 75 Agreements – removed to accommodate additional grant work.

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
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.

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
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

7. 2022/23 Audits completed since the last reporting period

Cyber Security

Exceptions Raised

Critical	High	Medium	Low
0	0	2	2

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The first medium risk exception relates to the list of ‘critical services’ not being periodically confirmed with senior management and none of the 5 five key application contracts tested give explicit response timeframe for security incident responses including zero-day exploits. The second medium risk relates to the Security Incident Process document not having any versioning or approval dates. A low risk exception relates to the Network Security Policy being overdue a review from May 2022 and the Internet and Networked Communications Policy did not have a review date. The final low risk exception relates to the Desktop Deployment Strategy needing to be updated to align with current intentions and ways of working post pandemic.

Elected Home Education

Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The high risk exception relates to the authority being unable to act upon School Attendance Orders issued due to a lack of a nominated Education solicitor. Despite not being escalated to court, 8/9 issued School Attendance Orders since 2020 have resulted in children being enrolled in school or receiving suitable home education.

Itchen Toll Bridge
Exceptions Raised

Critical	High	Medium	Low
0	1	0	1

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The high risk relates to issues with the supplier of the equipment and software for the toll bridge in reporting accurately on the cash collected resulting in discrepancies occurring. The low risk relates to vehicle violations not relating to missed charges not getting retained meaning repeat offenders cannot be identified and monitored.

IT Network Management & Security
Exceptions Raised

Critical	High	Medium	Low
0	1	2	2

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The high risk relates to 11 out of 25 staff leavers did not have a leaver form submitted leaving a 45 day window of opportunity before accounts become automatically disabled. The first medium risk relates to the authority not maintaining a detailed network plan, fully identifying all items of network infrastructure. The second medium risk relates to a lack of controls relating to data loss including flagging large volumes of data transfers to likely personal email addresses for management review and using 'personal' USB drives. The first low risk relates to physically connected PCs used by several members of staff posing a limited threat to the wider network. The final low risk relates to IT starter forms being submitted after the start date for 2 out of 25 staff members tested.

Purchase Card Compliance Review (Children's Services)
Exceptions Raised

Critical	High	Medium	Low
0	0	3	2

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The first medium risk relates to a review of 30 transactions found 18 had a limited description provided by the cardholder. The second medium risk relates to 8 out of the 30 transactions not having a receipt uploaded in Business World with the total value of transactions being £469.47. The third medium risk relates to 1 out of 30 transactions being for a zoom monthly subscription which was prohibited in the policy. The first low risk exception relates to 2 out of 30 transactions being for parking and a toll bridge charge (total value £3.60) which was prohibited in the policy. The final low risk relates to one transaction being incorrectly coded leading to £13.33 VAT being overclaimed.

Residential Unit (Kentish Road)
Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The high risk exception relates to the petty cash account not reconciling to float, the £463.75 discrepancy has yet to be resolved two years after being first identified. The first medium risk relates to completion rate for financial training by staff at Kentish Road being at 33% meaning that most staff were not up to date with this training and 4 of these had access to purchase cards. Furthermore, 28% did not have up to date GDPR training and 22% up to date Fire Safety training. The second medium risk relates to 8/15 items chosen randomly from the inventory list were unable to be located in the room specified or within the unit.

School Budget Deficits
Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The first high risk exception relates to the Scheme for Financing Schools (SFFS) requirements for deficit budgets and found that from 3 sets of governing body minutes, 0/3 complied with the steps required in the SFFS. There were limited details on the reason for the deficit noted, no mention of any benchmarking exercises being undertaken and no comprehensive notes on management actions. The second high risk relates to 5/15 schools in deficits not having a current Deficit Recovery Plan (DRP).

Schools Financial Value Standard (SFVS)
Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable

Assurance Level by Scope Area

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

The medium risk exception relates to testing establishing 2 schools where Internal Audit was unable to verify the Governing Body held the financial skills required. The first being due to them not providing evidence to support their SFVS response and the second due to them not providing a skills matrix or record detailing the current skills held.

List of Completed Grants

Grant Outcomes:	Assurance/Certified
1. Contain Outbreak Management Fund (COMF)	
2. EU Perinatal Mental Health Grant 8	
3. Omicron Business Grant	
4. PUSH	
5. Solent Future Transport	
6. Test & Trace Support Payments	
7. Universal Drug Treatment Grant	

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

Agency & Temps

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

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

Original Assurance Level

Reasonable

Follow Up Assurance

Reasonable

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 (Medium)	1 (High)	0	0	0	0

Follow up testing found that the high risk remained open as while the agreed actions had been implemented, testing of a sample of 25/326 bookings found 1/25 did not have a documented return to work form, 12/25 did not have 2 references attached, and 2/25 did not have a DBS number reference. The medium risk remains in progress as a review of 25 leaver checks found that 2 still had an active outlook account.

Data Sharing Agreements

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

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

Original Assurance Level

Reasonable

Follow Up Assurance

Assurance

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 (High) 1 (Medium)	0	0	0

Follow up testing was able to close all exceptions.

Domestic Abuse
Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	1

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

Original Assurance Level

Limited

Follow Up Assurance Level

Reasonable

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	2 (High)	0	1 (Medium) 1 (Low)	0	0	0

Follow up testing found that the first high risk remained in progress as while a Domestic Abuse Co-ordinator had been recruited and a Strategic Partnership Board was now in place, an independent review on the current protocols was yet to be completed. The second high risk remains in progress as service audits for March and April 2022 only reviewed 5% of cases rather than 10% for quality assurance. The medium and low risks were closed.

Information Governance
Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	1

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

Original Assurance Level

Reasonable

Follow Up Assurance Level

Reasonable

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	1 (High) 1 (Low)	0	2 (Medium)	0

Follow up testing was able to close all exceptions. The two medium risks were closed with management accepting the risks as they related to late Subject Access Requests (88.9% compliance noted) and Late Freedom of Information Requests (89.8% complaint).

Modern Slavery
Original Exceptions Raised

Critical	High	Medium	Low
0	2	2	0

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

Original Assurance Level

Reasonable

Follow Up Assurance Level

Reasonable

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	1 (High) 1 (Medium)	0	0	0	0	0

Follow up testing found that the first high risk remained open as currently only 19% of suppliers have sent over their Modern Slavery statement. The second high risk remains in progress as while Internal Audit were informed a report from Care Director on Modern Slavery was available, they were unable to present it to audit. The first medium risk remains in progress as while there have been improvements to the Modern Slavery statement it had not yet been uploaded to the registry. The final medium risk remains open as while training has been rolled out for Modern Slavery only 2% of the authority had completed the training.

9. Follow-up Action Categorisation

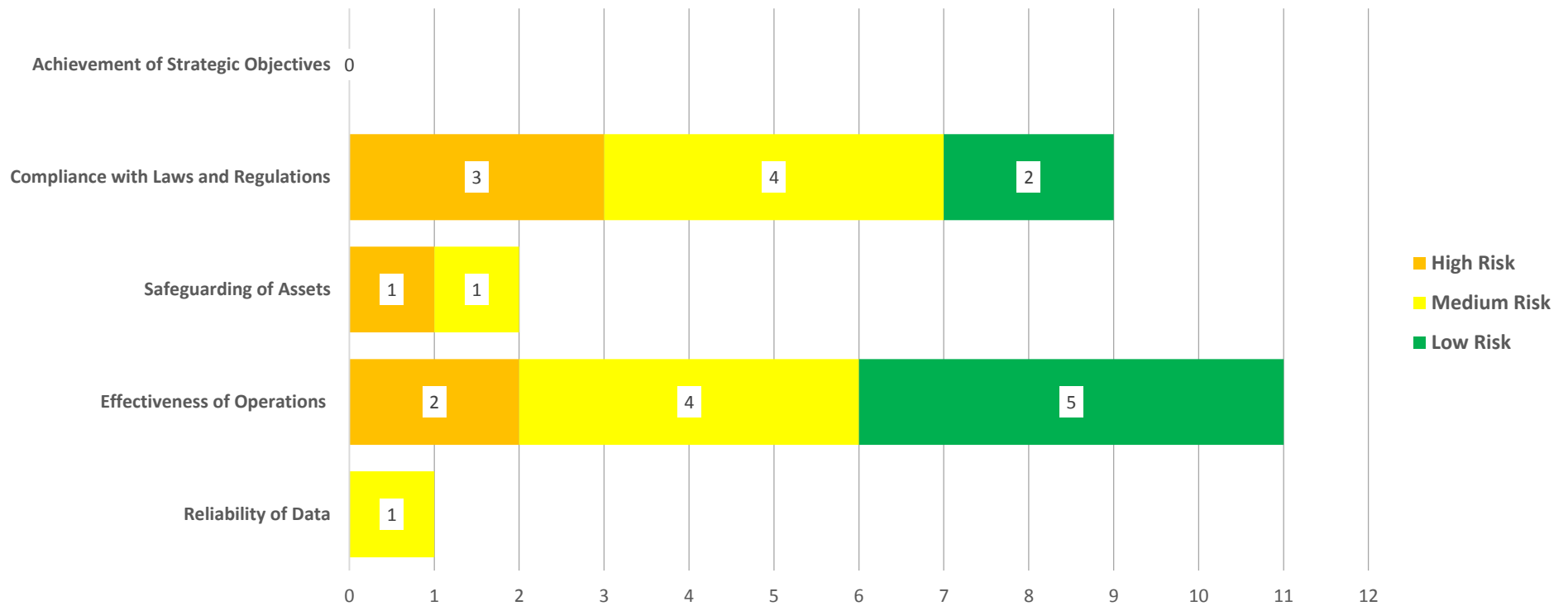
The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

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
Procurement Services	Finance & Commercialisation	December 2022		
Shirley Warren Primary School	Children & Learning	December 2022		

11. Exception Analysis to Date



	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk		3	2		1	6
Medium Risk		4	4	1	1	10
Low Risk - Improvement		2	5			7
Grand Total	0	9	11	1	2	23