



Internal Audit Progress Report as of 31 August 2023

Jan Balfour – Internal Audit Manager

1.0 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 and guidance.”

The standards for “proper practices” are laid down in the Public Sector Internal Audit Standards (PSIAS) (the standards – updated 2016).

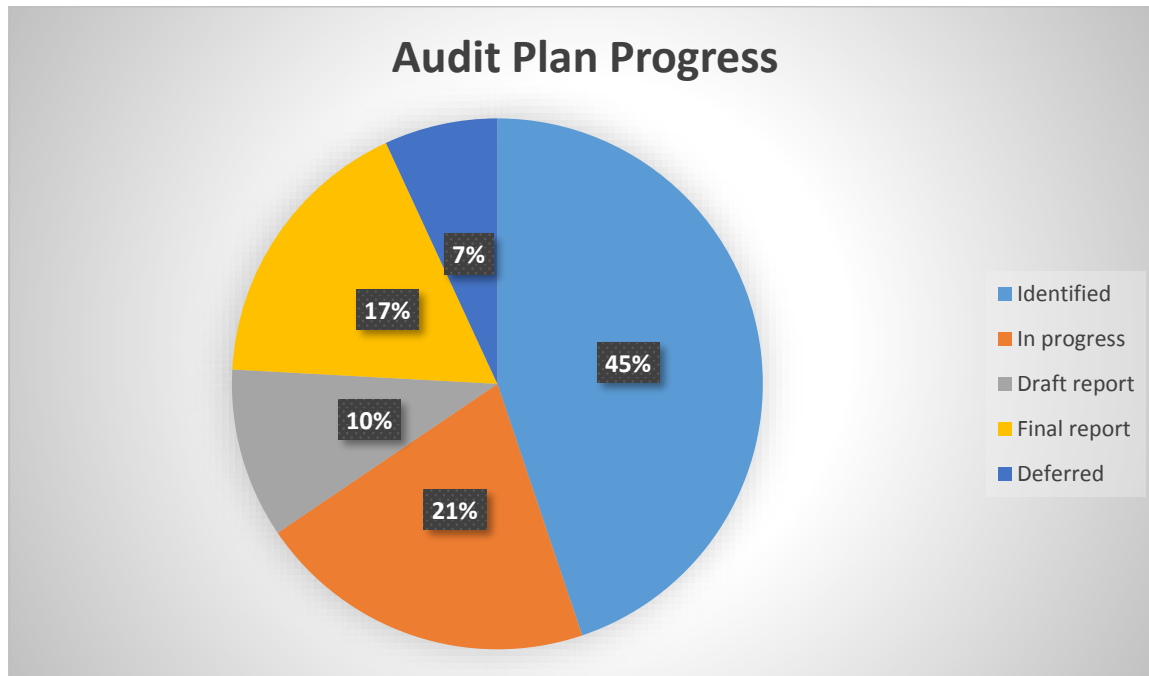
Internal Auditing is an independent, objective and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This report includes the status against the 2023/24 internal audit plan.

2.0 AUDIT PLAN 2023/24 PROGRESS AS AT 31st AUGUST 2023

There are 27 full audits and 2 follow up reviews totalling 29 reviews in the 2023/24 Audit Plan. These include the “core” financial audits which are compulsory and take place on an annual basis, cross cutting/corporate audits, and service specific reviews. Also included are 2 reserve audits to be undertaken if capacity allows and 2 audits commissioned by the S151 Officer.

To date 5 (17%) have been completed, 3 (10%) are at draft report stage and 6 (21%) are in progress.



3.0 ONGOING ACTIVITIES

Internal Audit has provided advice and assurance in the following areas:

Adhoc advice and assurance.

National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office.

Audit Committee reporting and attendance.

Audit Planning and consultation.

Risk Management and Annual Governance Statement.

Work is underway to develop and promote Fraud Awareness and carry out a risk assessment of the Council's Anti-Fraud and Corruption processes and procedures.

Project Assurance role on 6 projects.

4.0 CONTINGENCIES

1 special investigation is currently underway.

2 pieces of work have been undertaken under provision of requests from the S151 Officer, these include a probity review of Community Grants and post assurance review of Housing Support Grants issued.

5.0 AUDIT PLAN CHANGES

Due to a reduction in staff resource availability pending the appointment of a new Senior Auditor it is proposed to defer 2 audits to the 2024/25 Audit Plan. These include Risk Management and Grants. This will also enable revisions to the risk management arrangements to become fully embedded and specific grants have been reviewed on a probity basis elsewhere in the 2023/24 plan.

More time than originally anticipated has been undertaken providing project assurance support to the Regeneration programme and it is estimated that an additional 20 days will be required to continue this work in the remainder of the year.

6.0 ASSURANCE LEVEL/OPINION

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/Opinion:	Description:
Full	There is a sound system of control designed to achieve the system objectives.
Substantial	While basically there is a sound system there are weaknesses which put some of the control objectives at risk.
Limited	Weaknesses in the system of controls are such as to put the system objectives at risk.
No	Control is generally weak leaving the system open to significant error or abuse.

The **opinion** is formed with reference to the Councils Corporate risk matrix. Each control weakness identified during an audit review is scored according to this matrix. Where * shown this opinion is qualified when selected.

Likelihood

A Very High	Substantial or Limited*	Limited	No Assurance	No Assurance
B High	Substantial	Limited*	Limited Or No Assurance*	No Assurance
C Significant	Substantial	Substantial or Limited*	Limited	Limited Or No Assurance*
D Moderate	Substantial or Full*	Substantial	Substantial or Limited*	Limited
E Low	Full	Substantial or Full*	Substantial**	Limited
F Very Low	Full	Full	Substantial	Substantial or Limited*
	IV Negligible	III Significant	II Critical	I Catastrophic

Impact

7.0 CONTROL WEAKNESS – RISK RANKING

Priority Level:	Description:
High	Major issues for the attention of Senior Management. Action needs to be taken within a reasonable timescale to address significant control weaknesses and to ensure that the controls can be relied upon for the effective performance of the Service or function.
Medium	Issues for middle management action. These include control weaknesses that may expose the system function or process to a key risk but the likelihood of it occurring is significant rather than high.
Low	Minor matters. Low risk exceptions or improvements which help to improve service effectiveness and efficiency.

8.0 EXECUTIVE SUMMARIES

The following summaries relate to Audits from the 2022/23 and 2023/24 Audit Plan not previously reported to the Audit Committee.

1.

Control Weaknesses Identified:		
High	Medium	Low
0	3	0

**PROCUREMENT
2023/24**

Overall Assurance Opinion:
Limited Assurance
Agreed actions have been implemented. A procurement briefing note has been issued to all authorised signatories providing a refresher on the key points.

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> To ensure that the Public Procurement Regulations and Contract Standing Orders have been followed for a sample of procurements. 	<ul style="list-style-type: none"> In respect of 3 suppliers, consideration had not been given to the appropriateness of a framework or call off arrangement based on the level of recurrent need for supplies and services and the above threshold cumulative spend over 4 years. There was limited assurance of officer awareness on the need to consider recurrent spend over a 4-year period when estimating the contract sum for the purpose of applying the Public Procurement Regulations. 2 contracts with values over £100k had not been completed and retained in the strong room. 1 contract over £50k had not been completed and retained in the Service. 	<ul style="list-style-type: none"> Improved awareness of the requirements of the Public Procurement Regulations particularly around recurrent spend. Compliance with the regulations and the Council's Contract Standing Orders.

2.

Control Weaknesses Identified:		
High	Medium	Low
0	0	1

FLOATS AND IMPRESTS 2023/24

Overall Assurance Opinion:
Substantial Assurance
Agreed action has been implemented.

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> To ensure all floats and imprests are accounted for. Floats and imprests are held securely. Reconciliations are carried out and evidence (receipts and vouchers) retained. 	<ul style="list-style-type: none"> At the time of the audit 1 float had an unexplained deficit of £37.54. 	<ul style="list-style-type: none"> Cash is fully accounted for, and discrepancies promptly identified and investigated.

3.

Control Weaknesses Identified:		
High	Medium	Low
0	2	4

**EVENTS & PUBLIC HALL BOOKINGS
2023/24**

Overall Assurance Opinion:

Substantial Assurance

Agreed action is scheduled to be implemented by 31/12/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • The application processes. • Payments and banking processes. • Charitable bookings and concessions. • Refunds. • The utilisation of public halls. • Health & Safety. 	<ul style="list-style-type: none"> • For 6 chargeable bookings no evidence of booking confirmation could be obtained for 2 and 3 were sent the booking confirmation before payment had been received. • Physical health and safety checks were not undertaken on the day to ensure that the event takes place in accordance with the risk assessment provided. • Refunds had not in all cases been provided as per the terms and conditions of hire and issued at 100% of the original cost rather than 75%. Not all had been evidenced by booking paperwork or documented authorisation. • Venue utilisation is not monitored or actively promoted. The current system does not have the facility to provide utilisation statistics. • The booking form refers to the Corporate Director and requires update. • There is no formal approval of the policy for the Mayor's free lets and the waiver of the venue hire fee for these bookings. 	<ul style="list-style-type: none"> • All income due is received prior to an event taking place. • Potential public health and safety risks are mitigated. • Venue usage is actively promoted, and all potential income realised. • Authority for decision making on concessionary rates and free lets is clearly defined.

4.

Control Weaknesses Identified:		
High	Medium	Low
0	2	0

**HOUSING REGISTER AND LETTINGS
2023/24**

Overall Assurance Opinion:
Substantial assurance
Agreed action is scheduled to be implemented by 31/10/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> • Policies and Procedures. • Applications. • Housing Needs Assessments. • Registration & Renewal. • Allocations & Lettings. • Hampshire Homechoice Register – System Access. 	<ul style="list-style-type: none"> • Testing of 10 live applications found that 3 did not have any supporting evidence of income and 6 had no supporting evidence of savings and investments. • Testing of 5 applicants at point of nomination found that 2 in paid employment had not provided evidence and 3 had not provided evidence of savings. • There is no segregation of duties between: <ul style="list-style-type: none"> - the assessment and award of prioritisation of applications - the shortlisting of applicants for bidding or - at point of nomination or - review by a second officer/manager 	<ul style="list-style-type: none"> • Housing needs are consistently assessed and only eligible applicants are added to the Housing Register and allocated a property.

5.

Control Weaknesses Identified:		
High	Medium	Low
0	1	0

**INSURANCE (PROPERTIES)
2023/24**

Overall Assurance Opinion:
Substantial assurance
Agreed action is scheduled to be implemented by 31/07/23

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> To ensure all vacant Council owned properties are appropriately insured. 	<p>The Property & Asset Management Service Asset register (vacant properties) and the “vacant property spreadsheet” do not reconcile with 12 discrepancies identified. All were however insured.</p>	<ul style="list-style-type: none"> Greater assurance that all vacant properties are picked up promptly to ensure insurance cover put in place.

6.

Control Weaknesses Identified:		
High	Medium	Low
0	0	0

REVENUES SYSTEM
2023/24

Overall Assurance Opinion:
Substantial assurance
No control weaknesses were identified during the audit.

Scope:	Control Weakness:	Control improvement upon implementation:
<ul style="list-style-type: none"> Contingency planning and restoring of data. Audit trails within the system. System and parameter updates and testing. System access controls. Register of interests. Information security. Payment runs. Registering of Housing Benefit and Council Tax Support claims. 	None identified.	

9.0 CONTROL WEAKNESSES

Of the 6 audits completed, where an opinion has been given 13 exceptions have been raised:

Risk:	No. of exceptions (actions):
High	0
Medium	7
Low	6