



Portsmouth  
CITY COUNCIL

## Internal Audit Progress Report 5<sup>th</sup> March 2021

Elizabeth Goodwin, Chief Internal Auditor

## 1. 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 or guidance*

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

Internal auditing is an independent, objective assurance 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 2020/21 internal audit plan.

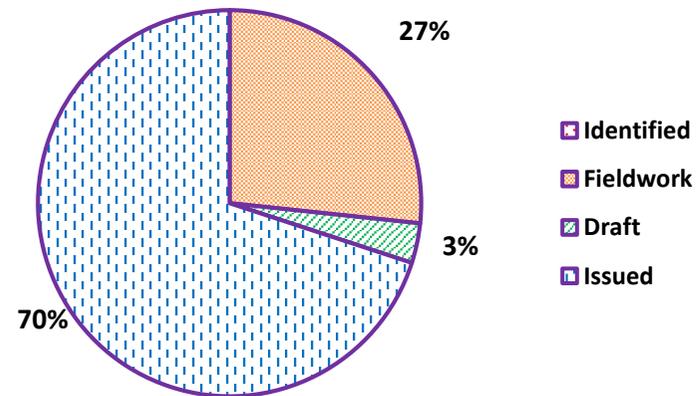
## 2. Audit Plan Progress as of 18<sup>th</sup> February 2021

There are 43 Full Audits, 15 Follow ups, 15 2<sup>nd</sup> Follow up reviews and 17 grants, in the revised plan for 2020/21, totalling 90 reviews.

To date, 90 (100%) have been completed or are in progress as at 18<sup>th</sup> February 2021. This represents 63 (70%) audits where the report has been finalised, 3 (3%) where the report is in draft and 24 (27%) audits currently in progress.

Status	Audits
Identified	0
Fieldwork	24
Draft Report	3
Final Report	63

**Audit Plan Progress as of 18<sup>th</sup> February 2021**



### 3. Ongoing Internal Audit Involvement

Internal Audit has provided advice, ongoing reviews and involvement work in the following area. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- Data matching in relation to payroll records and apprentices. Work has been undertaken using data analytics software to identify potential apprentices on the wrong national insurance tax code.
- Regulation of Investigatory Powers Act (RIPA) - authorisations (if applicable) and policy review
- Anti-Money Laundering - monitoring, reporting and policy review
- Financial Rules Waivers
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office
- National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
- Counter Fraud Programme - proactive work to reduce the risk exposure to the authority
- Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
- Governance & Audit & Standards Committee - reporting and attendance
- Audit Planning and Consultation
- Risk Management & Annual Governance Statement
- Performance Management
- 14 special investigations - (excludes Benefit and Council Tax Support cases)
- 16 items of advice, (where the advice exceeds an hours work)

Over the course of this financial year, Internal Audit has also been involved in supporting the organisation in maintaining critical activities during Covid-19, this has included redeployment of some staff and undertaking ad-hoc control and risk management assessments in order for the organisation to flex its governance framework.

## 4. Covid-19 Assurance Reporting

Internal Audit & Counter Fraud have been performing a number of assurance work in relation to COVID 19. A break-down of activities performed in addition to bespoke COVID 19 audit testing contained in normal audits and as at 18<sup>th</sup> February 2021 has been detailed below. There are a number of areas outstanding i.e. in progress and these will be reported as part of the annual reporting period.

### Infection Control Grant

In 2020/21 Portsmouth City Council was awarded £1,521,275.00 as part of the Adult Social Care Infection Control Fund Ring-Fenced Grant 2020. Internal Audit performed a number of tests on the framework established to meet the grant conditions which relate to payments to Adult Social Care Providers during the COVID 19 pandemic. No issues have been raised and as a result, it is Internal Audit's opinion that the framework established to meet the grant conditions have been complied with. In addition to the above, a random sample of service providers have been contacted to obtain copies of supporting documentation to evidence that expenditure is compliant with the conditions set out in the individual grant agreements. The results of this review are pending. As the government have now extended the Infection Control Fund to ensure care homes have the resources they need to halt transmission of COVID-19 throughout winter, Internal Audit will continue to work collaboratively with Finance over the duration of the grant extension, to ensure that providers are able to supply appropriate evidence to support payments made using the grant funding

### Discretionary Grants

To ensure that Discretionary COVID19 grants supported businesses through the pandemic and to prevent fraud, all councils needed to implement robust control frameworks. Internal Audit plays its role in any framework, both to confirm controls functioned effectively and to act as an additional 'check', to further detect and respond to potential fraud. This summary provides the results of the testing programme carried out by Internal Audit, to provide assurance to the Council that grants were processed correctly. The Council was given £1.97m to distribute to local businesses who were not eligible for the Small Business and Retail, Hospitality and Leisure Grants. Based on the testing conducted the controls in place to assess and determine eligibility for the Discretionary Grant Fund worked well. However sample testing of 40 applications did note 3 errors in assessment relating to Market Traders. Of the 371 grants paid including the top up, it is estimated 14 (3.7%) were to market traders therefore this error rating does not present a major issue. Similarly testing noted that 6 businesses were awarded both a discretionary and NNDR grant, two of which have been repaid, this represents a low error rate of 1.6%. Overall based on the testing conducted Internal Audit can give reasonable assurance that the Discretionary Grant funding has been processed accurately.

### Income Loss Compensation

As part of its COVID-19 response central government launched a Local Government Income Compensation scheme. The purpose of the scheme is to compensate authorities for lost income from sales, fees and charges that have been impacted by lockdown, government restrictions and social distancing measures. There is no requirement for Internal Audit to verify the amounts or type of income losses claimed however the following review has taken place:

- Evidenced where the figures have been drawn from and how the return has been compiled
- Confirmed that the 2020/21 base budget figures have been used in the calculations
- Reviewed the income areas being claimed, challenged on their appropriateness and sought to confirm that any mitigations have been considered.

Having completed the above review Internal Audit have not found any issues with the Authority's return. No testing has been completed to verify the accuracy of the figures being claimed as these are estimated figures as the final return will be subject to a full reconciliation exercise when actual figures are known. A further review by Internal Audit will therefore be performed as part of the 2021/22 audit plan.

### Business Rate Verification

This summary narrates the results of the testing programme carried out by Internal Audit, to provide assurance to the Council that Business Grants were processed correctly. Councils were responsible for administering two grant schemes to support business:

- Small Business Grant Fund (SBGF): a one-off grant of £10,000
- Retail, Hospitality and Leisure Grant Fund (RHLGF): a one-off grant of £10,000 or £25,000, dependent on rateable value

Both grants were payable by local authorities in England fully reimbursed by central government. Both grants had a list of eligibility criteria and were only available to active businesses, who were occupying an eligible hereditament as at 11th March 2020.

As at 15<sup>th</sup> July 2020 the Council had processed 2058 SBGF grants, totalling £20.58m and 857 RHLGF grants, totalling £16.13m. Audit fieldwork was carried out between 18<sup>th</sup> May and 25<sup>th</sup> May 2020, using the IDEA data analytics system. At the time of testing 1964 SBGF (£19.6m) and 796 RHLGF (£15.05m) had been processed. Testing aimed to confirm that only eligible grants were processed by the Council and to detect fraudulent claims.

In total there were 443 results were flagged for investigation by Internal Audit of which 15 were passed to the Revenues Technical Support Manager to review. In total the IDEA testing highlighted £55,000 of grants as ineligible where the service had already begun the process of reclaiming the funding. In addition a further £30,000 of grants were subsequently reclaimed as a result of the testing. Full results for each area of testing can be found below.

Overall £85,000 across 7 ineligible grants were highlighted as part of the testing. At the time of testing 2760 grants had been processed worth £34.7m. This equates to a failure rate of 0.25% of grants or 0.245% of money awarded. This shows that the processes in place to ensure that applicants fulfilled the

criteria worked effectively. Two grants totalling £20,000 were paid to dissolved companies, these accounts were at the time of testing under investigation and therefore maybe subsequently reclaimed.

Additional testing for grants paid post our original testing will be performed in due course and reported at its conclusion.

### Commercial Rents

Including its national tenants Portsmouth City Council has a commercial property portfolio of approximately 550 units/buildings with an annual rental income of £13m. In response to the COVID 19 pandemic the government created the Coronavirus Act 2020. The Act created a moratorium on forfeiture of commercial leases for non-payment of rent. The moratorium was at the time of testing in place until 31st December 2020. This means that Portsmouth City Council as a commercial landlord cannot take any action to evict its tenants for non-payment of rent whilst the moratorium is in place.

In addition the Ministry of Housing, Communities & Local Government (MHCLG) issued a "Code of Practice for commercial property relationships during the COVID-19 pandemic". The document was intended to reinforce and promote good practice amongst landlord and tenant relationships. It should be noted that the code is voluntary and has no bearing on the contents of a lease or the legal relationship it forms between landlord and tenant.

In response to the guidance the Authority decided to launch its Commercial Tenant support scheme whereby tenants could apply for a rent deferral or a change to their payment frequency. The Authority opted not to offer any rental reductions. Rent deferrals would only be permitted within lease period in order to protect the Authority.

Based on the testing conducted Internal Audit can give assurance that the Authority designed and implemented a suitable process for the Commercial Rent Support Scheme. Assurance can also be given that applications received by the Authority were processed in line with the parameters of the scheme.

## 5. Audit Plan Status/Changes including impact of COVID 19 on resources.

At the beginning of last year when the country went into lockdown and only critical council services were maintained, a number of the officers in the Audit and Counter Fraud Service were redeployed. There was also restriction on IT access during core times, physical access to records and a significant increase in advice and general support. As a result Internal Audit and Counter Fraud officers spent 346 days on work not relating to Internal Audit and Counter Fraud. The main areas where this time was spent was in the redeployment of seven officers to process Business Grants, one officer performing help Desk Duties or and one officer providing Domestic duties at Shearwater Residential home. Where possible internal audit work continued for both PCC and for our external clients to whom we are under contract.

In addition to the impact noted above, there has been a significant increase in the number of grant verifications and fraud work required in this financial year which contributes to the overall review of PCC internal control framework. The Internal Audit coverage of activities for 2020/21 has therefore been reduced, in agreement with the s151 Officer. Individual reviews were re-scoped in order to balance coverage and impact on client services. A sound level of both audit and counter fraud work has been performed across the year. No significant detrimental adverse implications from the reduced coverage is envisaged as the plan is almost complete and significant work has been undertaken on new risk areas highlighted as a result of the pandemic.

### **Audits added to the Audit Plan:**

- Additional Dedicated H2S & College Transport No 31/5137 - New Grant Verification (Tranche 1)
- Additional Dedicated H2S & College Transport No 31/5137 - New Grant Verification (Tranche 2)
- Covid-19 Travel Demand No 31/5127 - New Grant Verification.
- SLEP - Isle of Wight and New Forest Business Resilience Funds - Covid-19 Response Activity
- SLEP - Restart and Recovery & Kick-starting Tourism Grant Fund - Covid-19 Response Activity
- SLEP - Pay it Forward Fund - Covid-19 Response Activity
- SLEP - Summary report to bring together four Covid-19 response audits - Covid-19 Response Activity

### **Audits removed from the Audit Plan:**

- City Twinning Follow Up - Amalgamated with the International Visits audit.

- St Jude's Primary School - Deferred to the 2021/22 audit plan due to pressure on audit resources incurred from additional Covid-19 activities.
- St Paul's RC Primary School - Deferred to the 2021/22 audit plan due to pressure on audit resources incurred from additional Covid-19 activities.
- Substance Misuse Follow Up - Deferred to the 2021/22 audit plan due to pressure on Public Health resources incurred from additional Covid-19 activities.
- Water Safety Follow Up - Deferred to the 2021/22 audit plan due to inability to perform work in accordance with Government guidelines.
- COVID Bus Support Grant No 31/5020 Period 1 - Deferred to the 2021/22 audit plan as the sign off date will now fall into the 2021/22 financial year, due to extended payments.
- Estate Services Follow Up - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- Health and Safety 2<sup>nd</sup> Follow Up - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- Home to School Transport - Deferred to the 2021/22 audit plan due to pressure on client and audit resources incurred from additional Covid-19 activities.
- IT Procurement, Inventory and Disposal Follow Up - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- SLEP Local Growth Deal grant sign off - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- SLEP Local Growth Hub - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- Port CCTV - Removed from the 2020/21 audit plan due to inability to perform work in accordance with Government guidelines.
- SLEP Recruitment and Retention of Staff - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- Shared Services - Deferred to the 2021/22 audit plan due to pressure on audit resources incurred from additional Covid-19 activities.
- SLEP Local Growth Hub (Process Review) - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- SLEP Centenary Quay Grant - Removed from the 2020/21 audit plan due to no additional expenditure to audit in the 2020/21 financial year. Will be deferred to the 2021/22 Audit Plan.
- SLEP Compliance with Financial Framework - Removed from the 2020/21 audit plan to facilitate additional work incurred as part of the SLEP Covid-19 Response Activity.
- SLEP Foundations for Growth - Removed from the 2020/21 audit plan due to no additional expenditure to audit in the 2020/21 financial year. Will be deferred to the 2021/22 Audit Plan.

- Portico Customs Agency - Deferred to the 2021/22 audit plan due to inability to perform work in accordance with Government guidelines.
- Portico Fixed Assets - Deferred to the 2021/21 audit plan due to inability to perform work in accordance with Government guidelines.

## 6. Areas of Concern

There are no new areas of concern to highlight for this reporting period.

## 7. 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 and Audits and Standards Committee along with any Director's comments. The Committee is able to request any director attends a meeting to discuss the issues.*

## 8. 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 and Audits and Standards Committee along with Director's comments*

## 9. 2020/21 Audits completed to date (18<sup>th</sup> February 2020)

**Care Leavers - Director of Children, Families and Education**
**Exceptions Raised**

Critical	High	Medium	Low
0	5	0	0

**Overall Assurance Level**
**Limited Assurance**

Agreed actions are scheduled to be implemented by January 2021

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	Limited Assurance
Safeguarding of Assets	Limited Assurance
Effectiveness and Efficiency of Operations	Limited Assurance
Reliability and Integrity of Data	NAT

Five high risk exceptions were raised in relation to; the lack of evidence of any local procedures in place for the guidance of staff processing Care Leavers cases, 14/25 Pathway Plans (which is a requirement from the Children's Act 1989) not being conducted or reviewed within a timely manner i.e. conducted within three months of a child turning 16 or three months from entering care, by an average delay of 9.7 months. Failure to upload Personal Education Plans a requirement from the Children's Act 1989, into the Mosaic system used by Care Leaves practitioners. A lack of consistency and guidance in terms of Care Leavers expenditure as well as the lack of and timeliness of case supervisions evidenced by Internal Audit for 14/25 sampled cases.

**Mayfield School - Director of Children, Families and Education**
**Exceptions Raised**

Critical	High	Medium	Low
0	2	0	0

**Overall Assurance Level**
**Reasonable Assurance**

Agreed actions are ongoing

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	Assurance
Compliance with Policies, Laws & Regulations	Limited Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Assurance

Reliability and Integrity of Data

NAT

Two high risk exceptions were raised in relation to; non-compliance of financial rules for the use of Petty Cash as a cheque payment was 'split' across two transactions to circumvent the £200 petty cash expenditure limit as well as payments made to a supplier which should be not be paid via the petty cash method. As this payment was made to a sole trader the school should have completed an IR35 document before payment. The second high risk was in relation to 5/25 transactions at a total value of £1,305.93 where VAT to the value of £217.66 has been reclaimed without a valid VAT receipt.

**No Recourse to Public Funds - Director of Children, Families and Education**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	3	0

**Overall Assurance Level**

Reasonable Assurance

Agreed actions are scheduled to be implemented by May 2021

**Assurance Level by Scope Area**

Achievement of Strategic Objectives	NAT
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Reasonable Assurance
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

Three medium risk exceptions were raised in relation to incorrect coding for expenditure. This relates to a possible 43% of the total 2018/19 No Recourse to Public Funds spending which should have come out of other budgets but had not because of errors in coding and 56% for 2019 /2020. Verification checks not being carried out as part of the No Recourse to Public Funds process and a delay of 2 weeks to fulfil a timely case supervision for 1/10 cases sampled.

**Information Governance (Data Security) - Director of Corporate Services**

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Limited Assurance</b>	Achievement of Strategic Objectives	<b>Limited Assurance</b>
<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>Agreed actions are scheduled to be implemented by June 2021</b>	Compliance with Policies, Laws & Regulations	<b>Assurance</b>
					Safeguarding of Assets	<b>NAT</b>
					Effectiveness and Efficiency of Operations	<b>Limited Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

Three high risk exceptions have been raised in relation to; the lack of decrease in the number of electronic records held on the W:Drive and an out of date 'Electronic Information Asset Register.' The final exception highlighted across directorates, mandatory training for information governance not being completed, four policies in relation to data protection not being updated and no clear consistency to manage and delete data across directorates.

#### International Visits (City Twinning) - Director of Culture, Leisure and Regulatory Service

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Limited Assurance</b>	Achievement of Strategic Objectives	<b>Limited Assurance</b>
<b>0</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>Agreed actions are scheduled to be implemented by March 2021</b>	Compliance with Policies, Laws & Regulations	<b>NAT</b>
					Safeguarding of Assets	<b>Limited Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Reasonable Assurance</b>
					Reliability and Integrity of Data	<b>Assurance</b>

Five high risk exceptions were raised in relation to; the formation of 6/12 PCC's international partnerships not being transparent and aligned with the strategic aims of the organisation. Within a sample of 26 twinning visit's testing could not sight evidence of clear rationale or scrutiny of their cost and benefit to the authority for 10 visits. Appropriate insurance declarations not being made prior to travelling abroad for one PCC delegate and the lack of declaration of gifts and hospitalities submitted to the Governance and Audits and Standards committee. One medium risk exception was also raised as a result of this review.

#### Homelessness - Director of Housing, Neighbourhood and Building Services

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Reasonable Assurance</b>	Achievement of Strategic Objectives	<b>Assurance</b>
0	1	0	0	<b>Agreed actions are scheduled to be implemented by May 2021</b>	Compliance with Policies, Laws & Regulations	<b>Assurance</b>
					Safeguarding of Assets	<b>Limited Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>Assurance</b>

One high risk exception was raised as payments could not be reconciled to actual services. It should be noted that this area has been heavily impacted by Covid-19. Internal Audit has recognised that the service has had to safely accommodate a significant number of rough sleepers under emergency plan requirements, testing in the above areas indicate that the service has managed to deliver the expected services in addition to implementing emergency plans at short notice.

#### Planned Maintenance - Director of Housing, Neighbourhood and Building Services

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Reasonable Assurance</b>	Achievement of Strategic Objectives	<b>Reasonable Assurance</b>
0	0	2	0	<b>Agreed actions are scheduled to be implemented by December 2021</b>	Compliance with Policies, Laws & Regulations	<b>Assurance</b>
					Safeguarding of Assets	<b>Reasonable Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

Two medium risk exceptions were raised in relation to the Asset Management Strategy no being regularly reviewed or updated and condition surveys not being undertaken across all of its housing / dwelling assets, although there is a plan in place to address this.

#### ABP Contract for Pilots - Director of Port

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Reasonable Assurance</b>	Achievement of Strategic Objectives	<b>Reasonable Assurance</b>
<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>Agreed actions are scheduled to be implemented by January 2021</b>	Compliance with Policies, Laws & Regulations	<b>Reasonable Assurance</b>
					Safeguarding of Assets	<b>Reasonable Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

One high risk exception was raised in relation to an un-signed contract between the Associated British Ports and Portsmouth International Port. One medium risk exception in relation to inaccurate KPI's completed for the ABP contract and a low risk exception was also raised as a result of this review.

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Assurance</b>	Achievement of Strategic Objectives	<b>NAT</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>The Port have accepted this exception on the basis that this will be followed up on during the next Internal Audit.</b>	Compliance with Policies, Laws & Regulations	<b>NAT</b>
					Safeguarding of Assets	<b>NAT</b>
					Effectiveness and Efficiency of Operations	<b>Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

One low risk exceptions was raised as during testing of the Income Dues return against the sailing manifests for each of the sailings within the sample, it was noted that one of the sailings included in the Income Dues report was declaring one more adult passenger than the number shown on the manifest.

### Accounts Receivable - Portico

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>	<b>Limited Assurance</b>	Achievement of Strategic Objectives	<b>Reasonable Assurance</b>
<b>0</b>	<b>2</b>	<b>3</b>	<b>0</b>	<b>Agreed actions are scheduled to be implemented by January 2022</b>	Compliance with Policies, Laws & Regulations	<b>Reasonable Assurance</b>
					Safeguarding of Assets	<b>Reasonable Assurance</b>
					Effectiveness and Efficiency of Operations	<b>Limited Assurance</b>
					Reliability and Integrity of Data	<b>NAT</b>

Two high risk exceptions were raised in relation to inadequate documentation and/or insufficient authorisation of credit notes as well as no documented debt recovery processes in place. Three medium risk exceptions were also raised as a result of this review.

#### Travel Demand Management Grant No 31/5127 - Director of Finance and Recourses

Grant Verification - Sample testing was able to evidence that the terms and conditions had been met which allowed the Chief Internal Auditor to sign the declaration confirming compliance.

#### 2SEAS Speed Grant - Director of Port

Grant Verification - Sample testing was able to evidence that the terms and conditions had been met which allowed the Chief Internal Auditor to sign the declaration confirming compliance.

#### PECS Grant - Director of Port

Grant Verification - Sample testing was able to evidence that the terms and conditions had been met which allowed the Chief Internal Auditor to sign the declaration confirming compliance.

#### VESL - Executive (2019/20)

This audit review had taken part as part of the 2019/20 Internal Audit Plan. The scope of this audit was specific and was outlined in the introduction of the exceptions report. No judgement has been made on the Cabinet decisions surrounding the project or the expenditure incurred by VESL as a company. The

findings above show that the project proceeded in accordance with law and the decisions were made by the appropriate delegated officers or Members as defined by the City Constitution. The audit did however identify 3 key areas where due process and procedure were not followed. These were around clear budget setting, adherence to internal procurement framework and appropriate due diligent employment checks/references. During the review, which included audit interviews with senior officers and councillors, along with a significant review of records and documentation, no evidence of impropriety was found.

## 10. 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: Verified	<i>Agreed action implemented and risk mitigated, verified by follow up testing.</i>
Closed: Not Verified	<i>Client has stated action has been completed but unable to verify via testing.</i>
Closed: Management Accepts Risk	<i>Management has accepted the risk highlighted from the exception.</i>
Closed: No Longer Applicable	<i>Risk exposure no longer applicable.</i>

## 11. 2020/21 Follow-up Audits to date (18<sup>th</sup> February 2021)

### Claims Housing (Insurance) - Director of Housing, Neighbourhood and Building Services

#### Original Exceptions Raised

Critical	High	Medium	Low
0	4	3	0

Latest implementation date scheduled during the original audit was in February 2020.

#### Original Assurance Level

Limited Assurance
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#### Follow-up Assurance Level

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

Follow up testing confirmed that two high and two medium risk exceptions have now been closed and verified. Two high risk exceptions remains in progress and this relates to the investigation of claims where only 3/14 ex-gratia payments have been investigated since the circulation of the updated guidance. Although all three claim investigation files were complaint with the procedure document the sample size was not large enough to be able to place full assurance. The restrictions for access permissions on Northgate. Although a review was conducted on Northgate permissions and the transaction limits was set as £500, it was highlighted that there is no physical restriction in Northgate to prevent credits being processed without authorisation. One medium risk exception also remains in progress in relation to the escalation of claims. The new latest implantation date is March 2021.

**Residential Parking - Director of Regeneration**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	1	0

Latest implementation date scheduled during the original audit was in September 2019.

**Original Assurance Level**

Limited Assurance
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**Follow-up Assurance Level**

Limited 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
2 (High) 1 (Open)	0	0	0	0	0	0	0

Follow up testing confirmed that two high exception remains open. This is in relation to a two month backlog of temporary permits where the supporting documentation has not been received and the six week time period has elapsed. This is due to; parking office staff not having IT access from home during the COVID-19 pandemic lockdown period and the increased workload following the introduction of two new residential parking zones. Weakness in the storage and issue of visitor permits. This remains open as follow up testing highlighted no current agreement between PCC and non-authority outlets in relation to the expected requirements in relation to the security of stock, fees, charges and commission and no reconciliations being carried out to ensure that the permits issued equate to the cash received due to the high volume of visitor permits sold. One medium risk exception also remains open as there was no evidence that the documentation to support permit applications could not be sighted for 2/25 permit applications tested. The new revised implementation date is February 2021.

**IT Security - Director of Port**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	0	0

Latest implementation date scheduled during the original audit was in June 2020.

**Original Assurance Level**

Limited Assurance
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**Follow-up Assurance Level**

Reasonable 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	1 (High)	0	1 (High)	0	0	0

One high risk has been closed and verified. The remaining high risk remains in progress, this is in relation to the completion of mandatory training. The new revised implementation date is June 2021.

## 12. 2020/21 2<sup>nd</sup> Follow-up Audits to date (18<sup>th</sup> February 2021)

As raised during the July 2020 Governance & Audits & Standards meeting. Internal Audit has scheduled in 2<sup>nd</sup> follow-up reviews for all areas where a 1<sup>st</sup> review highlighted risk exposure still unmitigated. The audits below detail the position as at a 2<sup>nd</sup> review.



Latest implementation date  
 scheduled during the 1<sup>st</sup> follow-up  
 was in June 2020

**2<sup>nd</sup> 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)	0	2 (High)	0	0	0

The initial follow-up confirmed that three high risks remain open. The second follow up confirmed two high risks have now been closed and verified. One high risk remains in progress as the software to monitor provider work hours is still being procured. The new revised implementation date is unknown at the time of follow-up testing as it is pending financial approval.

**Modern Records - Director of Culture, Leisure and Regulatory Services**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	3	1	0

**Original Follow-up Assurance Level**

Limited Assurance

**1<sup>st</sup> Follow-up Assurance Level**

Limited Assurance

**2<sup>nd</sup> Follow-up Assurance Level**

Reasonable Assurance

Latest implementation date  
 scheduled during the 1<sup>st</sup> follow-up  
 was in October 2020.

**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) 1 (Medium)	0	0	0	0	0

The initial follow up review confirmed that two high and one medium risk exception remains open. The 2<sup>nd</sup> Follow up testing confirmed that the 2 high risk exceptions remain in progress. This is in relation to no confirmed strategy to digitally preserve the authority's records (this remains in progress as at the time of follow up testing. The report was with Finance and Legal for their comments, and they will be formally submitted after the new Cabinet Member for Resources has been briefed. The conditions of the store, as significant water ingress to the store had resulted in damage to records and undesirable levels of humidity, remains in progress as the Records Manager and Building Surveyor that funding has now been allocated to the project. An options appraisal is underway. It is estimated that the work will go out to tender during the third quarter of 2020, with activity beginning on site early in 2021). One medium risk exception remains in progress in relation to the out of date Corporate Retention Schedule. The new revised implementation date is April 2021.

**Youth Offending Team - Director of Children's, Families and Education**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	1	1

**Original Follow-up Assurance Level**

Limited Assurance
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**1<sup>st</sup> Follow-up Assurance Level**

Limited Assurance
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**2<sup>nd</sup> Follow-up Assurance Level**

Reasonable Assurance
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Latest implementation date scheduled during the 1<sup>st</sup> follow-up was in August 2019

**2<sup>nd</sup> 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)	0	2 (High)	0	0	0

The initial follow up review confirmed that the agreed actions to the two high risk exceptions were in progress. The actions to the medium risk exception had been implemented but not effective and the low risk exception had been closed and verified. The 2nd follow up review confirmed that the agreed actions to the two high risk exceptions had been closed and verified and the medium risk exception remains in progress. This is in relation to the absence of target dates for intervention plan. The Youth Offending Team Leader was unable to identify or recall any specific reason as to why target dates were not entered for the final case tested. The new revised implementation date is June 2021.

**Contaminated Land - Director of Regeneration**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	4	2	1

**Original Follow-up Assurance Level**

Limited Assurance
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**1<sup>st</sup> Follow-up Assurance Level**

Limited Assurance
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**2<sup>nd</sup> Follow-up Assurance Level**

Limited Assurance
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Latest implementation date scheduled during the 1<sup>st</sup> follow-up was in December 2019.

**2<sup>nd</sup> 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 (High) 2 (Medium) 1 (Low)	0	0	0

The initial follow up review confirmed that three high-risk exceptions and one medium-risk exception remained open and a further medium-risk and low risk exceptions were noted to be in progress. The 2<sup>nd</sup> follow up confirmed one high, one low and two medium risk exceptions have been closed, and two high risk exceptions remain in progress at the conclusion of testing. This is in relation to no evidence of stock reconciliations being undertaken. This remains in progress as stock takes were not completed from March-July 2020, due to the team maintaining only a skeleton staff, and the associated pressures of carrying out the service during the Covid-19 pandemic. And no evidence of KPI monitoring detail, although evidence was provided to show that review meetings had been arranged with the provider; however, these are informal, and are not minuted.

### 13. Audits in Draft to date (18<sup>th</sup> February 2021)

Audit	Directorate	Draft	Projected Issue Date	Revised	Comments
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Back up and recovery Disaster recovery/Business Continuity	Corporate & IT	08/02/2021	28/02/2021		
Ravelin	Regeneration	28/01/2021	28/02/2021		
Insurance	SLEP	28/01/2021	28/02/2021		

## 14. Audits in Progress to Date (18<sup>th</sup> February 2021)

Audit	Directorate	Delayed	Projected Issued Date	Revised Issued Date	Comments
Direct Payments	Adult Social Care	N/A	March 2021		
Troubled Families Grant	Children's Families and Education	N/A	March 2021		
Budget Monitoring	Portico	N/A	March 2021		
Additional Dedicated H2S & College Transport No 31/5137 Tranche 1	Finance	N/A	March 2021		
Additional Dedicated H2S & College Transport No 31/5137 Tranche 2	Finance	N/A	March 2021		
COVID Assurance Reporting PCC	Finance	N/A	March 2021		
Test and Trace Grant PCC	Finance	N/A	March 2021		
Accounts Payable	Finance	N/A	March 2021		
Accounts Receivable	Finance	N/A	March 2021		
Income Dues Portico	Port	N/A	March 2021		
Distribution	Portico	N/A	March 2021		
Repairs and Maintenance	Portico	N/A	March 2021		

Workforce Planning and Policy	Portico	N/A	March 2021		
Alcohol Treatment Capital	Public Health	N/A	March 2021		
Highways Permit Scheme	Regeneration	N/A	March 2021		
COVID Bus Services Revenue Grant No 31/5023	s151	N/A	March 2021		
Grant Awards including due diligent checks. Claims Processing	SLEP	N/A	March 2021		
Isle of Wight and New Forest Business Resilience Funds	SLEP	N/A	March 2021		
IT Infrastructure	SLEP	N/A	March 2021		
Loans	SLEP	N/A	March 2021		
Projects (Strategy Work)	SLEP	N/A	March 2021		
Restart and Recovery & Kickstarting Tourism Grant Fund	SLEP	N/A	March 2021		
Solent LEP Pay It Forward Fund	SLEP	N/A	March 2021		
Summary report to bring together four	SLEP	N/A	March 2021		

Covid-19 Response audits					
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## 15. Exceptions

Of the 2020/21 full audits completed, 77 exceptions have been raised.

Risk	Total
Critical Risk	0
High Risk	27
Medium Risk	41
Low Risk - Improvement	9