Portsmouth CITY COUNCIL

Internal Audit Progress Report 5ᵗʰ November 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 2021/22 internal audit plan.

2. Audit Plan Progress as of 18ᵗʰ October 2021

There are 35 Full Audits, 11 Follow ups, 9 2ⁿᵈ follow up reviews and 28 grants, in the revised plan for 2021/22, totalling 83 reviews.

To date, 48 (58%) have been completed or are in progress as of 18ᵗʰ October 2021. This represents 27 (32%) audits where the report has been finalised, and 3 (4%) where the report is in draft.

Status	Audits
Identified	35
Fieldwork	18
Draft Report	3
Final Report	27

Audit Plan Progress as of 18th October 2021
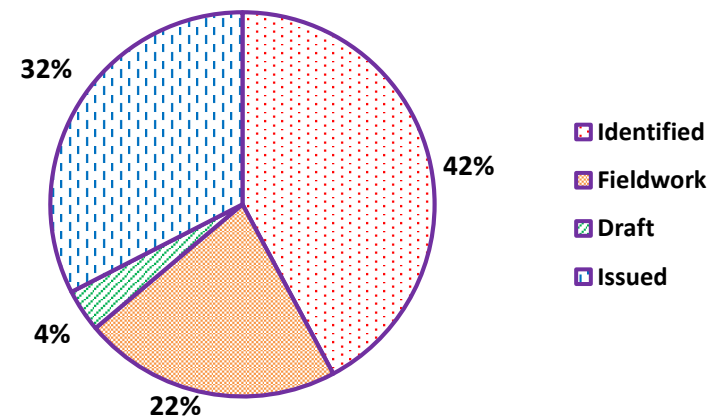
3. Ongoing Internal Audit Involvement

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
- 4 special investigations - (excludes Benefit and Council Tax Support cases)
- 19 items of advice, (where the advice exceeds an hour's work)

4. Audit Plan Status/Changes.

The following changes have been made to the plan since the issue of the last progress report.

Audits removed from the Audit Plan:

- Contract Management (Adult Social Care) - Removed from the 2021/22 internal audit plan to accommodate long term sickness within the audit team.
- Independent Reviewing & Child Protection - Officer and Inspections - Removed from the 2021/22 internal audit plan to accommodate long term sickness within the audit team.
- Recovery of Debts (including external bailiffs) - Removed from the 2021/22 internal audit plan to accommodate long term sickness within the audit team.
- Public Health Intelligence - Removed from the 2021/22 internal audit plan to accommodate long term sickness within the audit team.

5. Areas of Concern

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

6. 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	*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*
NAT	*No areas tested*

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.

Portsmouth City Council Internal Audit Service is performed in compliance with the Public Sector Internal Audit Standards (PSIAS). Compliance to the standard was externally assessed in May 2018.

7. 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)	*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 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.*

Any critical exceptions found the will be reported in their entirety to the Governance and Audits and Standards Committee along with Director's comments

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8. 2020/21 Audits completed to date (18th October 2021)

Microsoft Team - Director of Corporate Services

Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by December 2021

Assurance Level by Scope Area

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

Two medium risk exceptions were raised in relation to the failure to conduct an annual review of the configuration of Microsoft365 including Teams. The second high risk was raised as at time of testing there was no requirement for existing or new users to complete any corporate driven training in order to use Teams.

Rent Income - Director of Housing Neighbourhood and Building Services.

Exceptions Raised

Critical	High	Medium	Low
0	1	4	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by January 2022

Assurance Level by Scope Area

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

One high risk exception was raised in relation to cash refunds. Testing highlighted 4/25 cash refunds at a total value of £4,281.35 where no explanatory notes were provided within the housing rents system (Northgate). In addition, four medium risk exception were raised as a result of this review.

Gas Services (including servicing & certification) - Director of Housing, Neighbourhood and Building Services

Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by January 2022

Assurance Level by Scope Area

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

One high risk exception was raised in relation to 13/20 properties within the sample selected were found to be overdue (by an average of 16.9 days for domestic properties and an average of 14 days for non-domestic properties) for annual gas servicing. 2 medium risk exceptions were also raised as a result of this review. It is recognised that restrictions applied due to COVID-19 have affected accessibility to tenanted properties to facilitate annual gas servicing and certification.

HIVE - Director of Culture, Leisure and Regulatory Services

Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by January 2022

Assurance Level by Scope Area

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

Two high risk exceptions were raised in relation to the lack of a current and legally executed memorandum of understanding (MOU) and a lack of formal minutes for the Partnership Consultancy Group. One medium risk exception was also raised as a result of this review.

2SEAS 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.

Green Homes Grant 1 - Director of Regeneration

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.

Local Transport Capital - Director of Regeneration

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.

Rough Sleeping Initiative Q1 2021-22 and Rough Sleeping uplift - Director of Housing, Neighbourhoods and Building Services

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.

City of Stories Culture Grant - Director of Culture, Leisure and Regulatory Services

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.

9.2020/21 2ⁿᵈ Follow-up Audits to date (18ᵗʰ October 2021)

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

Residential Parking - Director of Regeneration

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

2ⁿᵈ Follow Up Exception Position

Critical	High	Medium	Low
0	1	0	0

Original Assurance Level

Limited Assurance

2ⁿᵈ Follow Up Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by December 2021

2ⁿᵈ Follow Up Assurance Level by Scope Area

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

The 2nd follow up confirmed that one high risk exception remains open. The open risk exception relates to the permit applications from July 2021 which are yet to be approved by the parking team and temporary permits going beyond the 6-week deadline. The remaining high risk has been closed and the medium risk was closed and verified.

10. Audits in Draft to date (6ᵗʰ September 2021)

Audit	Directorate	Draft	Projected Issue Date	Revised	Comments
Trading Standards	Culture, Leisure and Regulatory Services	07/10/2021	Nov-21		
Depot Services (includes public convenience cleaning & bulk refuse)	Housing Neighbourhood and Building Services	29/09/2021	Nov-21		
Home to school transport	Regeneration	07/10/2021	Nov-21		

11. Exceptions

Of the 2021/22 full audits completed, 32 exceptions have been raised.

Risk	Total
Critical Risk	0
High Risk	12
Medium Risk	16
Low Risk - Improvement	4