



Portsmouth  
CITY COUNCIL

**Internal Audit Progress Report 21st January 2022**

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.

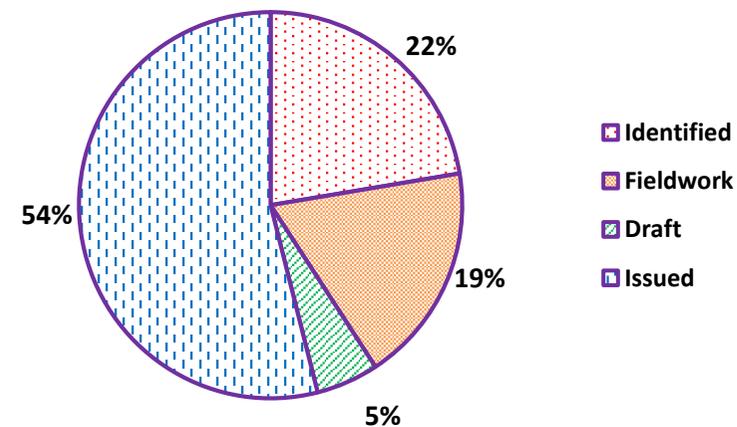
## 2. Audit Plan Progress as of 10<sup>th</sup> January 2022

There are 32 Full Audits, 11 Follow ups, 7 2<sup>nd</sup> follow up reviews and 26 grants, in the revised plan for 2021/22, totalling 76 reviews.

To date, 59 (78%) have been completed or are in progress as of 10<sup>th</sup> January 2022. This represents 41 (54%) audits where the report has been finalised, and 4 (5%) where the report is in draft.

Status	Audits
Identified	17
Fieldwork	14
Draft Report	4
Final Report	41

**Audit Plan Progress as of 10th January 2022**



### 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
- 9 special investigations - (excludes Benefit and Council Tax Support cases)
- 22 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. Any items removed will be considered for the 2022/23 plan.

### Audits removed from the Audit Plan:

- Craneswater Junior School (Children, Families & Education) - Removed from the 2021/22 plan due to long term sickness within the school.
- Deprivation of Liberty (Adult Social Care) - Removed from the 2021/22 plan due to current pressures on Adult Social Care.
- GBC Partnership (Executive) - Removed from the 2021/22 plan as the work has been covered under a separate audit.
- International Visits (Culture, Leisure & Regulatory Services) - Removed from the 2021/22 plan due to insufficient testing population.
- Fusion (Finance & Resources) - Removed from the 2021/22 plan, due to resourcing issues within the audit service caused by long-term sickness and increase in additional work.
- Sea Defence Grant (Regeneration) - Removed from the 2021/22 plan, as no Chief Internal Auditor/S151 sign off required.
- Council Tax Support Grant (Finance & Resources) - Removed from the 2021/22 plan, as no Chief Internal Auditor/S151 sign off required.
- Green Homes Grant (Regeneration) - Removed from the 2021/22 plan, as Chief Internal Auditor/S151 sign off required post 31<sup>st</sup> March 2022.
- Transforming City Fund (Regeneration) - Removed from the 2021/22 plan, as Chief Internal Auditor/S151 sign off required post 31<sup>st</sup> March 2022.
- Contain Outbreak Management Fund (Public Health) - Removed from the 2021/22 plan, as Chief Internal Auditor/S151 sign off required post 31<sup>st</sup> March 2022.
- Test & Trace Public Health (Public Health) - Removed from the 2021/22 plan, as Chief Internal Auditor/S151 sign off required post 31<sup>st</sup> March 2022.

### Audits added to the Audit Plan:

- 2SEAS PECS Grant - (Port) - Added to the plan, as second claim sign off required.
- School Transport Survey - (Regeneration) - Added to the plan, as second claim sign off required.
- Bus Restart Grant - (Regeneration) - Added to the plan, as new grant requiring sign off from Chief Internal Auditor/S151.
- Orpheus Grant Claim 2 (Children) - Added to the plan, as second claim sign off required.

## 5. Areas of Concern

There are no new areas of concern to highlight for this reporting period. Areas of concern are classed as 'No Assurance'.

## 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
<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.*

## 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
<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*

## 8. 2020/21 Audits completed to date (10<sup>th</sup> January 2022)

### Trading Standards - Director of Culture, Leisure and Regulatory Services

#### Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

#### Overall Assurance Level

Limited 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	Assurance
Safeguarding of Assets	Limited Assurance
Effectiveness and Efficiency of Operations	Limited Assurance
Reliability and Integrity of Data	Assurance

Three high risk exceptions were raised in relation to: non-compliance with contract procedure rules, adequate insurance notification and relevant SLA's (Service Level Agreements) or MOU's (Memorandum of Understanding). Secondly evidence to support case management oversight and authorisation and thirdly the need to increase succession planning within the service.

### Council Tax & NNDR - Director of Finance.

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

Two medium risk exceptions were raised in relation to: robustness of debt collection (although it should be noted that all debt recovery was impacted by COVID 19). The second risk covers outstanding mandatory training for officers within the service.

**Energy Management - Director of Housing, Neighbourhood and Building Services**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	2	0

**Overall Assurance Level**
**Reasonable Assurance**
**Agreed actions are scheduled to be implemented by April 2022**
**Assurance Level by Scope Area**

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

Two medium risk exceptions were raised in relation to: gaps in the identification and therefore collection of referral fees and transparency of payments made, which if left uncorrected could impact on the discounts applied.

**Depot Services - Director of Housing, Neighbourhood and Building Services**
**Exceptions Raised**

Critical	High	Medium	Low
0	1	3	1

**Overall Assurance Level**
**Reasonable Assurance**
**Agreed actions are scheduled to be implemented by December 2021**
**Assurance Level by Scope Area**

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

One high, three medium and one low risk exceptions were raised in relation to: lack of adequate mileage records to support vehicle usage (high); gaps in evidence to substantiate vehicle checks (medium); monitoring of staff performance (medium); allocation of daily tasks and finally the level of description to support tasks performed to enable accurate charging where applicable (medium).

**Home to School Transport - Director of Regeneration**
**Exceptions Raised**

Critical	High	Medium	Low
0	3	3	0

**Overall Assurance Level**

**Limited Assurance**

Agreed actions are scheduled to be implemented by March 2022

**Assurance Level by Scope Area**

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

Three high and three medium risk exceptions were raised. The high risks relate to: gaps in current licence and DBS verification. Gaps in documentation to support that current insurance is held for all operators. For the third high risk, that adequate controls were in operation to reconcile routes scheduled and performed to those invoiced. Of the three medium risks these relate to requirements to enhance performance monitoring, gaps in relation to complying with the procurement framework (specifically relating to 2020/21) and continuity in the evidence trail when dealing with complaints.

**Hire Cars - Director of Regeneration**
**Exceptions Raised**

Critical	High	Medium	Low
0	3	0	1

**Overall Assurance Level**

**Limited Assurance**

Agreed actions are scheduled to be implemented by April 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	Limited Assurance
Reliability and Integrity of Data	NAT

The three high risk exceptions relate to: a lack of driver assessments performed, as required by policy and to reduce potential legal challenge. Insufficient or missing pre and post journey vehicle checks and thirdly the lack of timely reporting of accidents or incidents.

#### **Culture Recovery 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.

#### **Income Loss Claim - Director of Finance**

No Chief Internal Auditor sign off was required for this grant, however an independent verification against the conditions was recommended. The review confirmed agreement with the assertions made and return submitted.

#### **School Transport Survey - Director of Regeneration**

Grant survey required as part of final sign off. 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.

#### **Disabled Facilities Grant - 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.

#### **Test & Trace £500 Loss of Earning - Director of Finance**

Sample testing performed as required under the grant conditions on a minimum 10%. The result was to verify a loss of income. In the event of no loss the payment of £500 has been request for repayment.

## 9. Exceptions

Of the 2021/22 full audits completed, 62 exceptions have been raised.

<b>Risk</b>	<b>Total</b>
<b>Critical Risk</b>	<b>0</b>
<b>High Risk</b>	<b>27</b>
<b>Medium Risk</b>	<b>29</b>
<b>Low Risk - Improvement</b>	<b>6</b>