



Portsmouth  
CITY COUNCIL

## Internal Audit Progress Report 4<sup>th</sup> March 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.

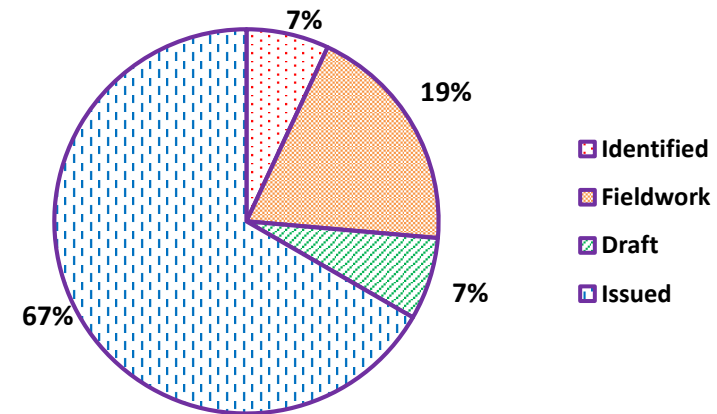
## 2. Audit Plan Progress as of 15<sup>th</sup> February 2022

There are 34 Full Audits, 9 Follow ups, 6 2<sup>nd</sup> follow up reviews and 24 grants, in the revised plan for 2021/22, totalling 73 reviews.

To date, 68 (93%) have been completed or are in progress as of 15<sup>th</sup> February 2022. This represents 49 (67%) audits where the report has been finalised, and 5 (7%) where the report is in draft.

Status	Audits
Identified	5
Fieldwork	14
Draft Report	5
Final Report	49

**Audit Plan Progress as of 15<sup>th</sup> February 2021**



### 3. Ongoing Internal Audit Involvement

Internal Audit has provided advice, ongoing reviews and involvement work in the following areas. (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.

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

- Community Centre Associations - Limited attendance during the pandemic therefore risk exposure reduced.
- Housing Claims - Initial review identified a limited amount of claims therefore no longer deemed high risk
- Poverty Grant - No sign off required by the Chief Internal Auditor therefore removed from the 2021/22 audit plan.
- Children with Disabilities - Removed from the 2021/22 audit plan, to focus resources on high risk areas.
- Ravelin Follow Up - Issues raised to be covered in full audit of Local Authority Shareholder Governance as part of 2022/23 Audit plan.
- Future High Street Funding - No sign off required by the Chief Internal Auditor and full expenditure has not occurred therefore removed from the 2021/22 audit plan.

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

- Modern Slavery Supplier Audit - Added to the 2021/22 audit plan following risk assessment.
- Whatsapp - Added to the 2021/22 audit plan to test the use of WhatsApp and the compliance to the agreed terms and conditions.

## 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
<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 (15<sup>th</sup> February 2022)

### Claims Handling - Director of Finance and Recourses

**Exceptions Raised**

Critical	High	Medium	Low
0	0	2	0

**Overall Assurance Level**

**Reasonable Assurance**

Agreed actions are scheduled to be implemented by September 2022

**Assurance Level by Scope Area**

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

Two medium risk exceptions were raised in relation to an expired Insurance Fund Management Policy (March 2015) and PCC insurance Handbook. The second medium risk exception was raised as not all claims were notified to the insurance department within the policies timescales.

### Housing & Council Tax Benefits - Director of Finance and Recourses

**Exceptions Raised**

Critical	High	Medium	Low
0	0	0	0

**Overall Assurance Level**

**Assurance**

**Assurance Level by Scope Area**

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

No exceptions were raised as a result of this review



**Governance & Decision Making - SLEP**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	0	0

**Overall Assurance Level**

<b>Assurance</b>
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**Assurance Level by Scope Area**

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

No exceptions were raised as a result of this review.

**New Customer Due Diligence - PORTICO**
**Exceptions Raised**

Critical	High	Medium	Low
0	0	1	0

**Overall Assurance Level**

<b>Reasonable Assurance</b>
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Agreed actions are scheduled to be implemented by September 2022

**Assurance Level by Scope Area**

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

One medium risk exception has been raised in relation to the failure to ensure that there is a fraud prevention strategy in place which includes effective due diligence processes and procedures.

**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.

**Port 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.

**Bus Subsidy - 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.

## 9.2021/22 Follow-up Audits to date (15<sup>th</sup> February 2022)

### Solent 2050 Project - SLEP

#### Original Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

#### Follow Up Exception Position

Critical	High	Medium	Low
0	0	0	0

#### Original Assurance Level

Reasonable Assurance
Follow Up Assurance Level
Assurance

#### Follow Up Assurance Level by Scope Area

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

The medium risk exception in relation to the termination of the original consultancy has now been closed and verified.

### IT Infrastructure - SLEP

#### Original Exceptions Raised

Critical	High	Medium	Low
0	0	3	1

#### Follow Up Exception Position

Critical	High	Medium	Low
0	0	1	0

#### Original Assurance Level

Reasonable Assurance
Follow Up Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by April 2022

#### Follow Up Assurance Level by Scope Area

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

Two medium and one low risk exception has been closed and verified. The remaining medium risk is in relation to the data cleansing for information contained within Alciem (contact details, financial etc). This remains pending until the appointment of a compliance/Data Officer.

**Insurance - SLEP**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	0	2	0

**Follow Up Exception Position**

Critical	High	Medium	Low
0	0	0	0

**Original Assurance Level**

Reasonable Assurance

**Follow Up Assurance Level**

Assurance

**Follow Up Assurance Level by Scope Area**

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

The two medium risk exceptions have now been closed and verified.

**Portico Training - Portico**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	2	1

**Follow Up Exception Position**

Critical	High	Medium	Low
0	1	2	0

**Original Assurance Level**

Reasonable Assurance

**Follow Up Assurance Level**

Reasonable Assurance

Agreed actions are scheduled to be implemented by August 2022

**Follow Up Assurance Level by Scope Area**

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

The low risk exception has been closed and verified. The high risk exception remains in progress and is in relation to the completion of mandatory training, testing found 46% of staff had expired or incomplete training. Two medium risk exceptions also remain in progress as a result of this review. These are in relation to the failure to locate a relevant or accurate training policy and to complete a training cost analysis on in-house training costs.

**Repairs and Maintenance - Portico**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	0	1

**Follow Up Exception Position**

Critical	High	Medium	Low
0	2	0	1

**Original Assurance Level**

Limited Assurance

**Follow Up Assurance Level**

Limited Assurance

Agreed actions are scheduled to be implemented by March 2022

**Follow Up 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	Assurance
Reliability and Integrity of Data	NAT

The two high risk exceptions remain open. These are in relation to an incomplete maintenance schedule that had not been reviewed and updated for 2022 and the failure to ensure PUC (Pre-use Checks) forms are completed when an asset is signed out for 7/10 security key logs. The remaining low risk exception is in progress.

## 10. 2021/22 2<sup>nd</sup> Follow-up Audits to date (15<sup>th</sup> February 2022)

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/s still unmitigated. The audits below detail the position as at a 2nd review.

Port CCTV - Director of Port				1 <sup>st</sup> Follow-Up Assurance Level	2 <sup>nd</sup> Follow Up Assurance Level by Scope Area
<b>1<sup>st</sup> Follow-Up Exceptions Raised</b>				<b>Limited Assurance</b>	Achievement of Strategic Objectives
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>		NAT
0	2	0	0	<b>2<sup>nd</sup> Follow Up Assurance Level</b>	Compliance with Policies, Laws & Regulations
<b>2<sup>nd</sup> Follow Up Exception Position</b>				<b>Reasonable Assurance</b>	Safeguarding of Assets
<b>Critical</b>	<b>High</b>	<b>Medium</b>	<b>Low</b>		NAT
0	1	0	0	<b>Reasonable Assurance</b>	Effectiveness and Efficiency of Operations
				<b>Agreed actions are scheduled to be implemented by March 2022</b>	Reliability and Integrity of Data
					<b>Reasonable Assurance</b>

One high-risk exception has been closed, and one remains in progress following audit testing. The Port have implemented a new CCTV system since the last audit, which is advised to address many of the technical problems raised in previous reviews. Accompanying documentation has been revised and, whilst not initially complete when provided for testing, is now stated to be finalised, with proof of the missing answers provided. It has not been possible to test the monthly retention audit process, as it has not yet commenced, and a minor issue has been raised over the challenge to the quality of Police DP2s.

## 11. Audits in Draft to date (15<sup>th</sup> October 2022)

Audit	Directorate	Draft	Projected Issue Date	Revised	Comments
Harry Sotnick house - Consultancy	Adult Social Care	10/11/2021	Mar-22		
Information Governance	Corporate Services	08/02/2022	Mar-22		
Shared Services	Executive	05/01/2022	Mar-22		
Water Safety	Culture, Leisure and Regulatory Services	20/01/2022	Mar-22		
Emergency Procedures	Housing Neighbourhood and Building Services	28/01/2022	Mar-22		

## 12. Exceptions

Of the 2021/22 full audits completed, 91 exceptions have been raised.

<b>Risk</b>	<b>Total</b>
<b>Critical Risk</b>	<b>0</b>
<b>High Risk</b>	<b>47</b>
<b>Medium Risk</b>	<b>36</b>
<b>Low Risk - Improvement</b>	<b>8</b>