

APPENDIX A



Portsmouth
CITY COUNCIL

Internal Audit Progress Report 23rd November 2022

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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 set out 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 2022/23 internal audit plan.

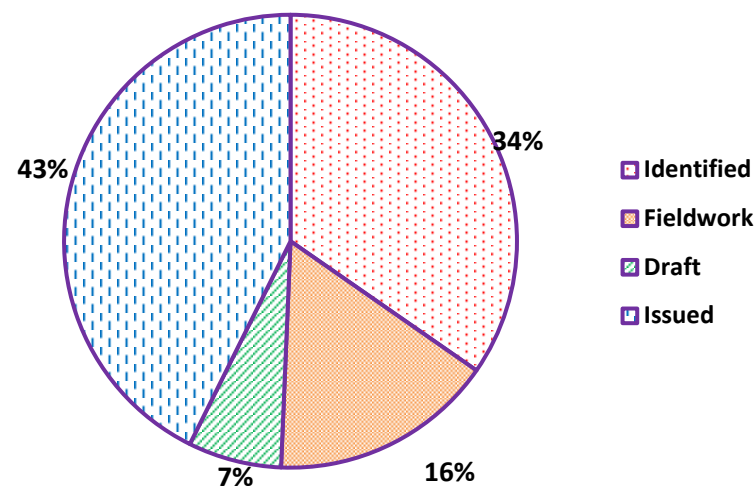
2. Audit Plan Progress as of 8th November 2022

There are 36 Full Audits, 17 first follow ups, 6 second follow up reviews and 16 grants, in the revised plan for 2022/23, totalling 75 reviews. *

To date, 49 (65%) have been completed or are in progress as of 8th November 2022. This represents 32 (43%) audits where the report has been finalised.

Status	Audits
Identified	26
Fieldwork	12
Draft Report	5
Final Report	32

Audit Plan Progress as of 8th November 2022



**Figures are only in relation to PCC audits and are excluding any SLEP or Portico reviews.*

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):

- 2 Regulation of Investigatory Powers Act (RIPA) - authorisations (reported annually) 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
- Governance & Audit & Standards Committee - reporting and attendance
- Audit Planning and Consultation
- Risk Management & Annual Governance Statement
- Performance Management
- 90 open investigation cases - (includes, corporate, benefit and council tax support cases)
- 10 items of advice

4. Audit Plan Status/Changes.

The original audit plan agreed on the 4th March 2022 had a total of 67 reviews. The following changes have been made since the last progress report.

Audits removed from the Audit Plan:

- Planning & Enforcement - Removed from the 2022/23 audit plan to accommodate additional work.
- Treasury Management - Removed from the 2022/23 audit plan to accommodate additional work.

Amendments made to the Audit Plan:

- Gas Services - Amended from a full audit to a follow up as to follow-up on high risks raised in the 2020/21 Gas Service audit. The current Gas Service contract has been extended for a year allowing the follow-up to commence.

Audits added to the Audit Plan:

- Building Control - Agreed to perform an audit review as part of the partnership with Fareham Borough Council.
- Cost of Living Crisis - Added to the 2022/23 audit plan. Testing will review key controls to protect against fraud and theft.
- WhatsApp - Follow-up on high-risk exceptions raised in the 2021/22 audit.
- Water Safety - Follow-up on the high-risk exceptions raised in the 2021/22 audit.
- Homelessness - Second Follow-up on outstanding high-risk exceptions raised in the 2021/22 audit.

5. Areas of Concern

No new areas of concern.

6. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework for risk management, control and governance designed to support the achievement of management objectives for the area under review.

Assurance Level	Description / Examples
Assurance	<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>
Reasonable Assurance	<i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>
Limited Assurance	<i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>
No Assurance	<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>
NAT	<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
Low Risk (Improvement)	<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>
Medium Risk	<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>
High Risk	<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>
Critical Risk	<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 (8th November 2022)

Community Infrastructure Levy (CIL) - Director of Regeneration

Exceptions Raised

Critical	High	Medium	Low
0	1	2	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by April 2023

Assurance Level by Scope Area

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

One high risk exception was raised as it was not possible to reconcile sets of data between the Infrastructure Funding Statement reports, team payment records and finance records maintained by the Corporate Recourse Controller and Finance Programme Lead. In addition, a separate issue was raised concerning the amount of retained CIL funds. At present, although 100% of CIL income is allocated to projects, it is not all spent, with significant funds being retained and reallocated the following year. The amount of capital CIL retained in 20/21, for example, was £11,228,175. There may be a number of reasons for this; however, it may pose a risk to PCC for the forthcoming charging schedule review. Two medium and one low risk exception was also raised as a result of this review.

Leasehold Charges - Director of Housing, Neighbourhood and Building Services

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

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

No exceptions were raised as a result of this review

Disabled Facilities Grant - Director of Housing, Neighbourhood and Building Services - Process Review
Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable Assurance

Action have been implemented

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	NAT
Reliability and Integrity of Data	NAT

A process review in relation to Disabled Facilities Grant was conducted alongside the grant review. Details of the grant review can be sighted below. A medium-risk exception was raised as it was noted for 1/5 grants not having a local land charge applied. Discussions with the Housing Assistance Team Leader confirmed that in an effort to clear the backlog created by the pandemic there were 142 cases that were not fully closed down, with resources instead directed to managing current cases. Of those 74 required a local land charge as they were granted to homeowners and the cost of the works was above £5000.

Bus Subsidy Grant - Director of Regeneration

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

Disabled Facilities Grant - Director of Housing, Neighbourhood and Building Services - Grant Review

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

Orpheus Grant on the Spot - Director of Children, Families and Education

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

9.2022/23 Follow-up Audits to date (8th November 2022)

Southsea Infant - Director of Children, Families and Education

Original Exceptions Raised

Critical	High	Medium	Low
0	3	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

Original audit testing highlighted three high and two medium risk exceptions and follow up testing confirmed that the mitigating actions agreed during the previous audit have been implemented and all five exceptions have now been closed.

St Pauls RC Primary School - Director of Children, Families and Education

Original Exceptions Raised

Critical	High	Medium	Low
0	4	0	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	NAT
Reliability and Integrity of Data	NAT

Original audit testing highlighted 4 high risk exceptions and follow up testing confirmed that the mitigating actions agreed during the previous audit have been implemented and all 4 exceptions have now been closed.

10. 2022/23 2nd Follow-up Audits to date (8th November 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.

Right to Buy - Director of Housing, Neighbourhoods and Building Services

1st Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

2nd Follow Up Exception Position

Critical	High	Medium	Low
0	0	0	0

1st Follow-Up Assurance Level

Reasonable Assurance

2nd Follow Up Assurance Level

Assurance

2nd 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	NAT
Reliability and Integrity of Data	NAT

At the close of the 1st follow up review in 2021/22 the two medium risk exceptions were closed, and the remaining two high risk exception actions were in progress. The current position is that all exceptions are closed and verified.

11. Exceptions

Of the 2022/23 full audits completed, 38 exceptions have been raised.*

Risk	Total
Critical Risk	0
High Risk	15
Medium Risk	21
Low Risk - Improvement	6

**These figures are excluding Portico and SLEP*