



Portsmouth  
CITY COUNCIL

## Internal Audit Progress Report 25<sup>th</sup> January 2023

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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.

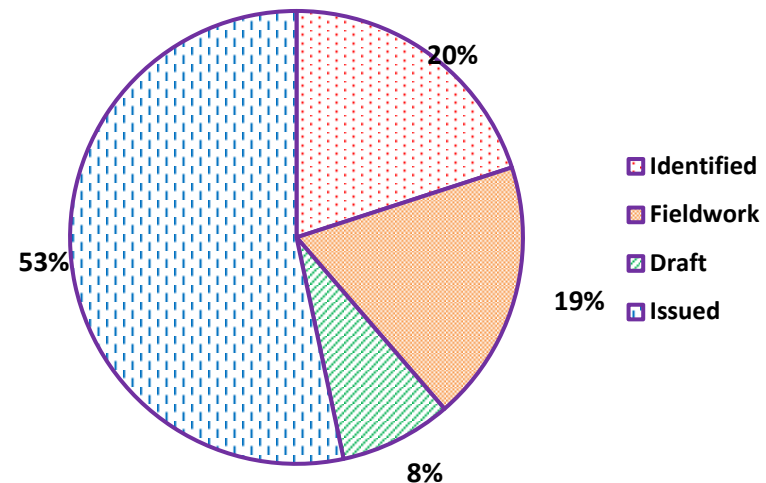
## 2. Audit Plan Progress as of 10<sup>th</sup> January 2023

There are 35 Full Audits, 16 first follow ups, 7 second follow up reviews, 1 consultancy review and 16 grants, in the revised plan for 2022/23, totalling 75 reviews. \*

To date, 60 (80%) have been completed or are in progress as of 10<sup>th</sup> January 2023. This represents 40 (53%) audits where the report has been finalised.

Status	Audits
Identified	15
Fieldwork	14
Draft Report	6
Final Report	40

**Audit Plan Progress as of 10th January 2023**



*\*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
- 106 open investigation cases - (includes, corporate, benefit and council tax support cases)
- 12 items of advice

## 4. Audit Plan Status/Changes.

The original audit plan agreed on the 4<sup>th</sup> 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:**

- Application Management - Removed from the 2022/23 audit plan to accommodate additional work.

### **Amendments made to the Audit Plan:**

- Partnership Governance - Consultancy review work performed, instead of full audit performed to establish possible frameworks in the absence of national guidance.

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

- Ukrainian Accommodation Support - Added to the 2022/23 audit plan.

## 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
<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 2023)

### Harry Sotnick House - Director of Adult Social Care

#### Exceptions Raised

Critical	High	Medium	Low
0	0	3	1

#### Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by January 2023

#### Assurance Level by Scope Area

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

The scope of this review focused on the administrative operations of the unit, specifically key controls for compliance with internal regulations and safeguarding of assets. Three medium risk exceptions were raised in relation to failure to provide two signatories for reconciliations on petty cash and amenities, in addition 1/8 amenities transaction which amounted to £60 had no invoice present and attached to the voucher to verify the purchase. The failure to change the combination to the safe after the former admin staff left the unit in August 2022. Lastly the failure to provide signatories to evidence and confirm personal belongings of residence during the admittance of a new resident. One low risk exception was also raised as a result of this review.

### Green Home Grants

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 (10<sup>th</sup> January 2023)

### Direct Payment - Director of Adult Social Care

#### Original Exceptions Raised

Critical	High	Medium	Low
0	4	1	0

#### Follow Up Exception Position

Critical	High	Medium	Low
0	3	0	0

#### Original Assurance Level

Limited Assurance

#### Follow Up Assurance Level

Reasonable Assurance

The new implantation date is schedule to be completed by April 2024

#### Follow Up Assurance Level by Scope Area

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

One medium risk and one high risk exception have been closed, and three high risk exceptions are in progress after follow-up testing. Evidence provided during this review, supported by additional testing, has confirmed that there has been a significant improvement in maintaining client reviews within SystemOne, and in adding explanatory notes to ContrOCC. The support plans tested contained explicit reference to the Direct Payments (DP) in all but one tested (later amended and verified), and DP audits were noted to be up to date with clear records. There were, however, still issues, notably around the lack of records kept during the service-wide review, as well as discrepancies in the DP amount between some support plans and the finance system, although none were significant in value.

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

Critical	High	Medium	Low
0	3	3	0

**Follow Up Exception Position**

Critical	High	Medium	Low
0	3	1	0

**Original Assurance Level**

Limited Assurance

**Follow Up Assurance Level**

Limited Assurance

The new implementation date is schedule to be completed by March 2023

**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	Limited Assurance
Reliability and Integrity of Data	NAT

Three high risk exceptions and one medium risk exception remain in progress at the close of audit testing. Although two medium risk exceptions have been closed, testing was unable to confirm the details of the team's DBS and licensing reconciliation, evidence the implementation of the new system, staff restructure or processes, or evidence progression on the contract performance monitoring. In mitigation, it is noted that some elements, such as the adoption of the new system and staff restructure are underway and outside of the direct control of the team. Further, action has been taken with regard to establishing a performance monitoring framework and a clearer means of reconciling and monitoring provider data.

**Trading Standards - Director of Culture, Leisure and Regulatory Services**
**Original Exceptions Raised**

Critical	High	Medium	Low
0	3	0	0

**Follow Up Exception Position**

Critical	High	Medium	Low
0	2	0	0

**Original Assurance Level**

Limited Assurance

**Follow Up Assurance Level**

Limited Assurance

The new implantation date is schedule to be completed by October 2023

**Follow Up Assurance Level by Scope Area**

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

One high risk exception has been closed, and two remain in progress at the close of follow-up testing. Of those in progress, activity relating to officer recruitment and training are partially reliant on external factors, and it is acknowledged that there is little more that the team can do at present to expedite this process. The Service have advised that the remaining actions had not been completed due to an oversight but are now being addressed. Despite the fact that there has been progress against the agreed actions, with a further activity following audit testing, the situation has not materially changed in relation to the core risk, which is the availability of trained staff to carry out Trading Standards legislated functions.

## 10. 2022/23 2<sup>nd</sup> Follow-up Audits to date (10<sup>th</sup> January 2023)

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.

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

#### 1<sup>st</sup> Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

#### 2<sup>nd</sup> Follow Up Exception Position

Critical	High	Medium	Low
0	0	0	0

#### 1<sup>st</sup> Follow-Up Assurance Level

Reasonable Assurance
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#### 2<sup>nd</sup> Follow Up Assurance Level

Reasonable Assurance
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#### 2<sup>nd</sup> Follow Up Assurance Level by Scope Area

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

Follow-up testing has confirmed that the agreed actions for the one high risk exception has been recently implemented. There are insufficient records to enable verification that the controls are working effectively, therefore this exception has been closed, not verified and a reasonable assurance opinion remains.

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

#### 1<sup>st</sup> Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

#### 2<sup>nd</sup> Follow Up Exception Position

Critical	High	Medium	Low
0	0	0	0

#### 1<sup>st</sup> Follow-Up Assurance Level

Reasonable Assurance
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#### 2<sup>nd</sup> Follow Up Assurance Level

Assurance
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#### 2<sup>nd</sup> 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

All exceptions have been closed and verified.

## 11. Exceptions

Of the 2022/23 full audits completed, 45 exceptions have been raised.\*

<b>Risk</b>	<b>Total</b>
<b>Critical Risk</b>	<b>0</b>
<b>High Risk</b>	<b>15</b>
<b>Medium Risk</b>	<b>24</b>
<b>Low Risk - Improvement</b>	<b>6</b>

*\*These figures are excluding Portico and SLEP*