



Portsmouth  
CITY COUNCIL

## Internal Audit Progress Report 8<sup>th</sup> March 2023

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 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.

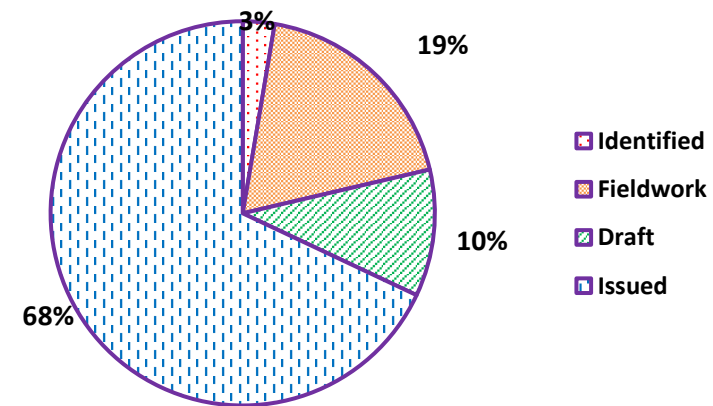
## 2. Audit Plan Progress as of 21<sup>ST</sup> February 2023

There are 34 Full Audits, 17 first follow ups, 6 second follow up reviews, 3 consultancy review and 15 grants, in the revised plan for 2022/23, totalling 75 reviews. \*

To date, 73 (97%) have been completed or are in progress as of 21<sup>st</sup> February 2023. This represents 51 (68%) audits where the report has been finalised.

Status	Audits
Identified	2 (3%)
Fieldwork	14 (19%)
Draft Report	8 (10%)
Final Report	51 (68%)

**Audit Plan Progress as of 21st February 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:

- 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
- 122 open investigation cases - (includes, corporate, benefit and council tax support cases)
- 21 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:**

- Hybrid Working - Removed from the 2022/23 plan to accommodate additional work.
- OneDrive / U Drive - Removed from the 2022/23 plan to accommodate additional work.
- Transforming City Fund Grant - Removed from the 2022/23 plan as grant is no longer requiring sign off
- Port Grant - Removed from the 2022/23 plan as grant is no longer requiring sign off

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

- Coffee Shops - Amended from follow up to full audit due to time period between reviews and requirement to assess continuing of viability.

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

- Weight Management Grant - Added into the 2022/23 audit plan and Chief Internal Auditor sign off required.
- Ad-hoc payments and expenses (Children's Social Care) - Added to the 2022/23 audit plan due to issues identified.
- Handling of Funds (Children's Social Care) - Added to the 2022/23 audit plan due to issues identified.
- Shearwater (Agency) - Added into 2022/23 the plan due to control weaknesses identified elsewhere.

## 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. 2022/23 Audits completed to date (21<sup>st</sup> February 2023)

### Business Planning & Risk Management - Director of Public Health

**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	<b>Assurance</b>
Reliability and Integrity of Data	NAT

Review of documentation and discussions with officers found that Public Health have sufficient arrangements in order to plan the service's activities, including working alongside commissioned services, and have considered the risks associated with the business plan.

### Fieldwork Services - Director of Adult Services

**Exceptions Raised**

Critical	High	Medium	Low
0	1	4	0

**Overall Assurance Level**

<b>Limited Assurance</b>
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Agreed actions are scheduled to be completed by 31/03/2023

**Assurance Level by Scope Area**

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

One high risk exception was raised in relation to the lack of monitoring mechanisms in place against the Care Act. Four medium risk exceptions were also raised around evidence of discussion for care package budgets / changes to care package budgets, separate support plans and lack of care package reviews (recalls). Testing during this audit highlighted that there are inconsistencies in filing and naming of documents within System One, which makes it difficult to identify and locate specific documents. Discussion with senior Adults Care and Support officers in the audit exit meeting noted that System One does not have a workflow that aids practitioners in achieving compliance with the Care Act.



#### **Shareholder Governance - Executive**

Chief Internal Auditor attendance at Company Advisory Board following implementation of shareholder governance arrangements.

#### **Partnership Governance - Executive**

Exercise performed to ascertain clarity on partnership governance arrangements across the organisation resulting in additional controls being enacted to add transparency on assurance provisions.

#### **Shearwater (Agency) - Director of Adults Services**

Work performed to provide assurances on the procurement of additional staff via agency resulting in enhancements to processes already in place.

#### **Weight Management Service Grant - Director of Adults Services**

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.

#### **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 Executive and Chief Internal Auditor to sign the declaration confirming compliance.

#### **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 Executive and Chief Internal Auditor to sign the declaration confirming compliance.

## 9.2022/23 Follow-up Audits to date (21<sup>st</sup> February 2023)

### Education Health Care Plans for up to 25 years old - Director of Children, Families and Education

**Original Exceptions Raised**

Critical	High	Medium	Low
0	2	4	1

**Follow Up Exception Position**

Critical	High	Medium	Low
0	2	3	0

**Original Assurance Level**

Reasonable Assurance

**Follow Up Assurance Level**

Reasonable Assurance

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

**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	Limited Assurance
Reliability and Integrity of Data	NAT

The original audit highlighted two high, four medium and one low risk exception. Follow up testing confirmed that one high risk remains open in relation to preparing for adulthood assessments as no data was provided for the follow up review and therefore Internal Audit could not verify that the agreed actions have been implemented and one high risk exception is in progress in relation to the completion of annual reviews as the agreed actions are yet to be fully implemented due to staff shortages. In addition to this two medium risk exceptions remain open and one medium risk is in progress. Finally, one medium risk and one low risk exception has been closed and verified.

### Gas Services - Director of Housing, Neighbourhood and Building Services

**Original Exceptions Raised**

Critical	High	Medium	Low
0	1	2	0

**Follow Up Exception Position**

Critical	High	Medium	Low
0	1	0	0

**Original Assurance Level**

Reasonable Assurance

**Follow Up Assurance Level**

Reasonable Assurance

The new implementation 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	NAT
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	Reasonable Assurance
Reliability and Integrity of Data	NAT

The original audit review highlighted one high and two medium risk exceptions. The follow-up review confirmed that one high risk remains open while two medium risk exceptions have been closed and verified. The open high risk is in relation to the difficulties of obtaining access to properties which has resulted in a backlog of annual gas service certifications for PCC properties.

## 10. 2022/23 2<sup>nd</sup> Follow-up Audits to date (21<sup>st</sup> February 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.

### Modern Slavery - Director of Corporate Services

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

Critical	High	Medium	Low
0	1	3	0

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

Critical	High	Medium	Low
0	1	1	0

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

Limited Assurance

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

Reasonable Assurance

Agreed actions are scheduled to be completed by March 2023

#### 2<sup>nd</sup> 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 first follow-up confirmed that one high and three medium risk remained open. The second follow-up confirmed that the high-risk exception remains open while one medium risk exceptions is in progress. The remaining two medium risk exception has been closed and verified. The high risk in progress is due to high-risk contracts of Modern Slavery not being identified. There is however an upcoming model being created to determine higher risk contracts. In addition, an exercise by Internal Audit had been conducted to highlight the controls in place for the two highest risk directorates (Children's Social Care and Adult's Social Care) which indicated sufficient measures are not evident and therefore not in compliance with the Modern Slavery Act.

## 11. Exceptions

Of the 2022/23 full audits completed, 50 exceptions have been raised.\*

<b>Risk</b>	<b>Total</b>
<b>Critical Risk</b>	<b>0</b>
<b>High Risk</b>	<b>16</b>
<b>Medium Risk</b>	<b>28</b>
<b>Low Risk - Improvement</b>	<b>6</b>

*\*These figures are excluding Portico and SLEP*