



Portsmouth
CITY COUNCIL

Internal Audit Progress Report 20th September 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 2023/24 internal audit plan.

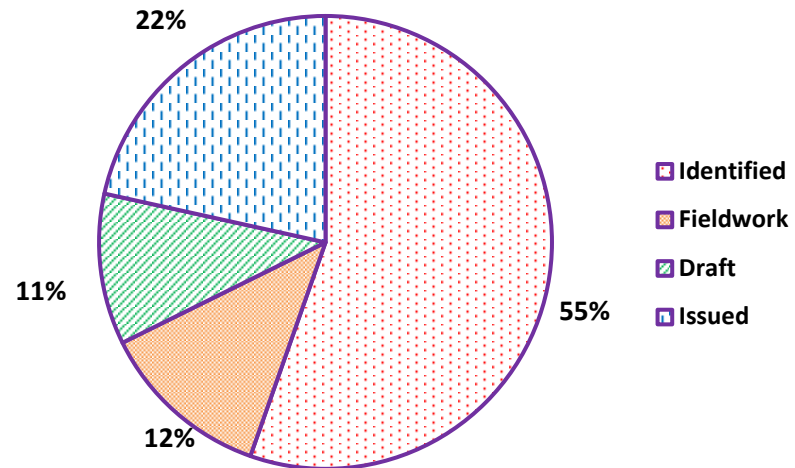
2. Audit Plan Progress as of 8th September 2023

There are 33 full audits, 17 first follow ups, 6 second follow up reviews, 1 consultancy reviews and 8 grants, in the revised plan for 2023/34, totalling 65 reviews. *

To date, 29 (45%) have been finalised or currently in progress as of 8th September 2023.

Status	Audits
Identified	36
Fieldwork	8
Draft Report	7
Final Report	14

Audit Plan Progress as of 8th September 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 is involved work in the following areas. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- Regulation of Investigatory Powers Act (RIPA) - authorisations. These are reported separately, along with any 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 investigation cases - (includes, corporate, benefit and council tax support cases)
- 3 items of advice

4. Audit Plan Status/Changes.

The original audit plan agreed on the 8th March 2023 had a total of 68 reviews. The following changes have been made since the plan has been approved.

Audits removed from the Audit Plan:

- Building Control Fees Income - Follow up work not required due to no high risks
- Future High Street Funding - No Chief Internal Auditor sign off required
- IT Procurement, Inventory & Disposal - Removed from the audit plan as the services are due to commence a new project. Following discussions with the client it was agreed to defer the audit to 2024/25 to test the new process.
- Planning & Enforcement - Removed to the plan as no additional value to be added at this stage
- Port Health & Safety - Independent review in place with agreed action plan, will be considered for future audit plans.
- Gas Services - Follow up actions are dated for 2024/25 (contract related)

Audits added to the Audit Plan:

- Fusion Change Management - Added into the plans due the Fusion change issues
- Disabled Facilities Grant (Process) - Audit included into the plan to review the process for the Disabled Facilities Grant.

5. Areas of Concern

No new areas of concerns

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. 2024/24 Audits completed to date (8th September 2023)

Quality Assurance - Director of Adult Social Care

Exceptions Raised

Critical	High	Medium	Low
0	2	2	0

Overall Assurance Level
Limited Assurance

Agreed actions are scheduled to be implemented by January 2025

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

Two high risks were raised; as it was highlighted that no formal procedures around assessing the frequency of care home visits. In addition a second high risk was raised as testing confirmed that there are care providers that have not signed up to a 'Terms of Inclusion' (TOI). A TOI is the contract between PCC and the care providers which outlines the terms and conditions relating to the provision off the expected care services. There are a total of 115 providers of which 8 (7%) have not signed a TOI. Two medium risk exceptions were also raised as part of this review.

Independent Reviewing & Child Protection - Director of Children, Families and Education

Exceptions Raised

Critical	High	Medium	Low
0	0	4	1

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by September 2023

Assurance Level by Scope Area

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

Four medium risk exceptions were raised; as it was highlighted that 10/20 (50%) of children from the sample tested did not have sufficient evidence on Mosaic to support communication/ contact with the child/ network around the child. 6/20 (30%) were not satisfactory for various reasons for the monitoring of grading child care plan. Delays in processing Dispute Resolutions reports as 3/5 (60%) of the sample tested were resolved past the 20 working

days legislative time by an average of 4.6 days. Lastly, there is no formal Dispute Resolution escalation process. One low risk exception was also raised as a result of this review.

Council Tax and NNDR - Director of Finance and Resources

Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by March 2024

Assurance Level by Scope Area

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

Two medium risk exceptions were raised as testing confirmed that reviews of discounts and exemptions have not taken place post pandemic; however, reviews will be bought up to date and a schedule will be developed for future reassessment. In addition, there is currently no annual reviews in place for system access to ensure that user access remains appropriate.

Housing and Council Tax Benefits - Director of Finance and Resources

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

No exceptions were raised as a result of this review.

Treasury Management - Director of Finance and Resources
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	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.

External Debt Recovery - Director of Finance and Resources
Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by March 2024

Assurance Level by Scope Area

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

One high risk exception was raised as it was highlighted that there is a need for regular reconciliations between data held by Enforcement Agents and PCC data for account information as multiple discrepancies were highlighted. One medium risk exception was also raised.

Plant (Lifts & Mechanical) - Director of Housing, Neighbourhoods and Building Services
Exceptions Raised

Critical	High	Medium	Low
0	4	0	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by October 2023

Assurance Level by Scope Area

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

Four high risk exceptions were raised in relation to the lack of a clear formal contract in place with appropriate monitoring, an incomplete database for mechanical plant stock and servicing delays and data integrity for service records held . Lastly, invoices being paid without establishing that the work has been completed to the expected standard.

Emergency Planning Disaster Recovery - Director of Port
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	NAT
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	Assurance

No exceptions were raised as a result of this review.

Orpheus Grant - 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 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.

Local Transport Capital 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.

9.2023/24 Follow-up Audits to date (8th September 2023)

WhatsApp Usage - Director of Children's Families and Education

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Follow Up Exception Position

Critical	High	Medium	Low
0	2	1	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	Limited Assurance
Safeguarding of Assets	NAT
Effectiveness and Efficiency of Operations	NAT
Reliability and Integrity of Data	NAT

The original audit highlighted two high and one medium risk exceptions. WhatsApp's permitted use was in exceptional circumstances only, as it is non-compliant with GDPR. Clear boundaries and restrictions were therefore set at the outset of its use. The original audit had found that the internal terms and conditions established to add a layer of protection to the authority has not been enacted and actions are required to rectify this position. At time of follow up testing discussions with senior management confirmed that actions had not progressed and therefore all exceptions remain open.

10. 2023/24 2nd Follow-up Audits to date (8th September 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.

HIVE - Director of Culture, Leisure and Regulations

1st Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

2nd Follow Up Exception Position

Critical	High	Medium	Low
0	2	0	0

1st Follow-Up Assurance Level

Limited Assurance

2nd Follow Up Assurance Level

Limited Assurance

2nd Follow Up Assurance Level by Scope Area

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

First follow up testing had confirmed that the medium risk was closed and verified, and the two high risk exceptions were in progress in relation to the lack of current and legally executed Memorandum of Understanding and the lack of formal minutes for the partnership consultancy group . Second follow up testing confirmed that these two exceptions remain in progress. Although the risks are outstanding, it is audit's understanding that the actions to be taken are imminent.

Home to School Transport - Director of Regeneration
1st Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

2nd Follow Up Exception Position

Critical	High	Medium	Low
0	1	1	0

1st Follow-Up Assurance Level

Limited Assurance

2nd Follow Up Assurance Level

Reasonable Assurance

2nd Follow Up 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	Reasonable Assurance
Reliability and Integrity of Data	NAT

A verbal update was provided in relation to this topic at the last committee meeting. The first follow up review confirmed that three high and one medium risk exception remained in progress. The second follow up confirmed that two high risk exceptions have been closed and verified and the remaining high and medium risk exceptions are in progress. During the second follow up review, Internal Audit liaised with the Home to School service regarding the open actions and are now in a position to move the assurance level to reasonable. This is however with the caveat that the service maintain consistency with the checks and balances that are now in place to mitigate the risk exposure previously highlighted. As there has been a history of decline in control arrangements, Internal Audit will audit the delivery of Home to School on a regular basis until the control arrangements have been verified as being sustained over time.

10. Exceptions

Of the 2023/24 full audits completed, 15 exceptions have been raised. *

Risk	Total
Critical Risk	0
High Risk	7
Medium Risk	7
Low Risk - Improvement	1

**These figures are excluding Portico and SLEP*