Internal Audit Progress Report 22nd November 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.

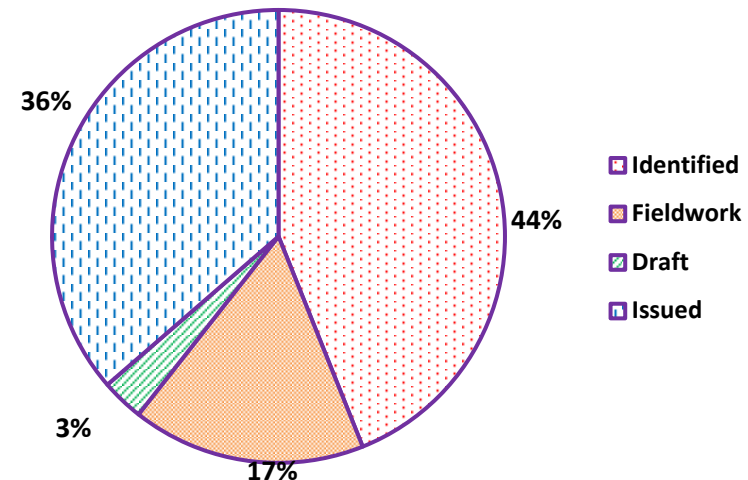This report includes the status against the 2023/24 internal audit plan.

Portsmouth City Council Internal Audit Service is performed in compliance with the Public Sector Internal Audit Standards (PSIAS). Compliance to the standard was externally assessed in April 2023.

2. Audit Plan Progress as of 7ᵀᴴ November 2023

There are 33 full audits, 17 first follow ups, 6 second follow up reviews, 1 consultancy reviews and 9 grants, in the revised plan for 2023/34, totalling 66 reviews. *

To date, 29 (45%) have been finalised or currently in progress as of 7th November 2023.

Status	Audits
Identified	29
Fieldwork	11
Draft Report	2
Final Report	24

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

Audit Plan Progress as of 7th November 2023

- Identified
- Fieldwork
- Draft
- Issued

36%
44%
3%
17%

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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
- 122 investigation cases - (includes, corporate, benefit and council tax support cases)
- 8 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 last progress report.

Audits added to the Audit Plan:

- Family Hub & Start for Life - Grant added into the 2023/24 Audit Plan as Chief Internal Auditor sign off is required.

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	*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*
Reasonable Assurance	*Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority*
Limited Assurance	*Control weaknesses or risks were identified which pose a more significant risk to the Authority*
No Assurance	*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*
NAT	*No areas tested*

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)	*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.*
Medium Risk	*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.*
High Risk	*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.*
Critical Risk	*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.*

Any critical exceptions found the will be reported in their entirety to the Governance and Audits and Standards Committee along with Director's comments

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8. 2024/24 Audits completed to date (7ᵗʰ November 2023)

Food Health and Safety - Director of Culture, Leisure and Regulatory Services

Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by December 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	Limited Assurance
Reliability and Integrity of Data	NAT

Two high risk exceptions were raised in relation to delays in responding to complaints as per the 'Food Complaints' procedure, 9/25 of the sample tested was highlighted as either making contact alter than the required timeframe or not having contacted the complainant within the required timeframe. It was also highlighted that 4 of the sample had long periods of time between last contact with the complainant or premise and the case close date, 1 had a close date prior to initial receipt of complaint and 2 did not have evidence to support any contact or action had been completed. The second high risk relates to Food Hygiene Inspections. A sample of 25 inspections were selected for review using the Uniform System to confirm inspections are being conducted within the required timeframes. Testing highlighted that of the sample tested 5 were conducted within the required timeframe and 13 were intervention reviews conducted outside the required timeframe, with the time after the inspection due date varied from 31 days to 3 years 9 days. The final 7 premises were highlighted as having initial inspections conducted past the required timeframe. Discussion with the Regulatory Service Lead confirmed that the delayed inspections are as a result of lack of resource within the team which is unable to cope with the current demand. It was highlighted that currently the team have 2.1 FTE staff which does not meet the Food Law Code of Practice requirement of 0.75 FTE per 500 premises. One medium risk exception was also raised as a result of this review.

Accounts Receivable - Director of Finance and Resources

Exceptions Raised

Critical	High	Medium	Low
0	0	0	1

Overall Assurance Level

Assurance

Agreed actions are scheduled to be implemented by December 2023

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

A low-risk exception was raised in relation to Annual Bespoke Letters not being issued for 8/25 debts. All 8 had a local land change in place however the Accounts Receivable team were waiting for their bespoke letters to be developed in Fusion.

Housing Conditions - 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 March 2024

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	Assurance

Four high risk exceptions were raised in relation to the management of damp and mould across the Authority's housing stock. The first exception was to implement an approved guidance and policy document in order to ensure consistent practice and record keeping across cases, the Authority was already in the process of drafting a dedicated guidance at the time of the review and will be looking to implement it in early 2024. Two exceptions were raised for a lack of evidence for repairs performed and complaint handling, a sample of 50 repairs, from 1,424 cases between 2019 and 2023, found that only 12/50 had sufficient notes to determine works carried out and only 3 had photographic evidence available on file. For complaints, a sample of 10 was reviewed and found that although final responses to complaints could be located on each case other documentation such as the acknowledgement and correspondence with the tenant was located in multiple areas instead of the centralised SharePoint folder. The complaints process is also under review by the service to standardise the approach and centralise storage of information. The fourth exception raised was in relation to a lack of sufficient evidence for the referral process.

Disabled Facilities Grant (Process) - Housing, Neighbourhood and Building Services

Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by September 2023

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

One medium risk exception was raised as a result of this review. Discussions with the Housing Renewals Team Leader confirmed that when an applicant signs up to the Home Improvement Agency Service (HIAS) they can request PCC to obtain one or two quotes for the work. Where the HIAS is not used the applicant must obtain two quotes themselves. All 5 within the sample tested under Compliance used the HIAS and only one quote was obtained. Giving the applicant the choice to only ask for one quote will not help the service obtain the best possible value for money.

Application Controls - Director of Finance and Resources

Exceptions Raised

Critical	High	Medium	Low
0	3	2	1

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by November 2023

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	Limited Assurance
Reliability and Integrity of Data	NAT

Three high risk exceptions have been raised as a result of this review. The first high risk exception was in relation to the Change Control Process, the Process's effectiveness is eroded by the number of users who can potentially make changes (due to higher than usually observed use of accounts with elevated privileges) the lack of reliance which can be placed on the Change Control Log as a full record of changes (due to the absence of a system generated log of changes) and potentially insufficient integration testing, with changes, for example where managed outside of the core teams (i.e. where staff will be less likely to have the skills/experience to understand what needs to be tested), which increase the possibility for changes to have unforeseen impact on the wider system. The second high risk relates to Administrative/Elevated Privilege Accounts, the standard approach is to limit access to 'setup

and maintenance' activity (i.e., elevated privilege accounts) and to ensure that accounts of this type are not used for day-to-day activity. Neither of these are in place at PCC. There are 32 roles, approximately 80 users outside of IT with access to some elements of 'setup and maintenance' and all staff have single logins. The current position is difficult to address fully, due to the lack of granularity in roles (meaning staff need access to wider functionality which they do not need, in order to gain access to functionality which they do need) and the increase in licensing costs if staff were to be granted multiple logins. The last high risk relates to Delegations, during the finalisation process for this review a specific issue regarding delegation was highlighted to Internal Audit. Automated controls over this functionality are much weaker than normally observed. Internal Audit's understanding is that users are able to delegate the majority of their access to any other member of staff, with no time limiting of delegation and delegations remaining with staff, when they change job roles – for clarity how delegations should be used is set out in guidance for staff, it is the automation of these controls and proactive oversight which is missing. Additional sample testing was carried out by Internal Audit (ten out of a population of 108). This identified that five sample instances had at least one gap, against PCC's expectations regarding delegations. Two medium and one low risk exceptions were also raised as a result of this review.

Disable Facilities Grant - Director of Housing, Neighbourhoods and Building Services

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.

Family Hub & Start for Life - Director of Finance and Resources

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 (7ᵗʰ November 2023)

Fieldwork Services - Director of Adult Services

Original Exceptions Raised

Critical	High	Medium	Low
0	1	4	0

Follow Up Exception Position

Critical	High	Medium	Low
0	0	4	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Reasonable Assurance

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

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	Assurance
Reliability and Integrity of Data	NAT

One high and four medium risk exceptions were raised as part of the original audit review. The follow up has confirmed that the high-risk exception have been closed and verified. The remaining four medium risk exceptions are in progress due to delays in procuring consultants and system issues.

Tangier Road (Children's Home) - Director of Children Families and Education

Original Exceptions Raised

Critical	High	Medium	Low
0	3	4	0

Follow Up Exception Position

Critical	High	Medium	Low
0	0	4	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Reasonable Assurance

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

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	NAT
Reliability and Integrity of Data	NAT

Original audit testing highlighted three high and four medium risk exceptions. Follow up testing confirmed that the three high risk exceptions have been closed and verified. The four medium risk exceptions are in progress due to a lack of signatory on petty cash reconciliations, a delay in reviewing the petty cash float level with Finance, outstanding mandatory training completion and the personal homes inventory detail not being sufficient.

10. 2023/24 2ⁿᵈ Follow-up Audits to date (7ᵗʰ November 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.

Hire Cars (2ⁿᵈ Follow Up) - Director of Regeneration

1ˢᵗ Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

2ⁿᵈ Follow Up Exception Position

Critical	High	Medium	Low
0	3	0	0

1ˢᵗ Follow-Up Assurance Level

Limited Assurance

2ⁿᵈ Follow Up Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by July 2024

2ⁿᵈ Follow Up Assurance Level by Scope Area

Scope Area	Assurance
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

Initial follow up testing confirmed that of the exceptions raised in the original audit; three high risk exception were in progress. Testing also confirmed that the risk exposure to the council remains high. The Service were strongly recommended to withhold the permission to utilise hire cars for any member of staff that did not comply with the overall conditions of use, i.e., failure to undertake pre and post vehicle checks and required training. Second follow up testing has confirmed that all three high risk exceptions are in progress. Significant movement has been made by the Fleet service to mitigate risks, which include improved monitoring checks. There are however gaps remaining with compliance across the authority relating to pre/post journey checks as well as delays from the Insurance team in logging and investigating liability for claims.

10. Exceptions

Of the 2023/24 full audits completed, 30 exceptions have been raised. *,

Risk	Total
Critical Risk	0
High Risk	16
Medium Risk	11
Low Risk - Improvement	3

These figures are excluding Portico and SLEP

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