APPENDIX A

Internal Audit Progress Report 8ᵗʰ January 2024

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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.

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.
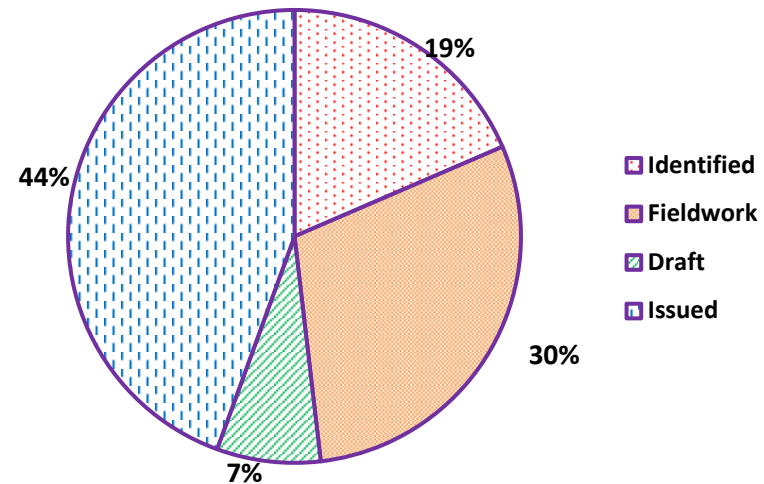
2. Audit Plan Progress as of 8th January 2024

There are 32 full audits, 16 first follow ups, 6 second follow up reviews, 1 consultancy reviews and 10 grants, in the revised plan for 2023/34, totalling 65 reviews. *

To date, 55 (85%) have been finalised or currently in progress as of 8th January 2024.

Status	Audits
Identified	10
Fieldwork	16
Draft Report	4
Final Report	35

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

Audit Plan Progress as of 8th January 2024

- Identified — 19%
- Fieldwork — 30%
- Draft — 7%
- Issued — 44%

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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
- 164 investigation cases - (includes, corporate, benefit and council tax support cases)
- 9 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:

- Local Authority Delivery - Grant added into the 2023/24 Audit Plan as sign off is required.
- Enterprise Centre - Audit added to the 2023/24 Audit Plan due to lack of previous coverage.

Audits removed from the Audit Plan:

- Rental Income - Full audit to be completed as part of the 2024/25 Audit Plan, removed from 2023/24 due to resourcing issues within Internal Audit.
- Disrepair Claims - removed as suitable coverage has been provided within the Insurance and Damp & Mould reviews.
- Special Education Needs & Delivery- due to a reform being in progress the audit has been deferred to the 2024/25 Audit Plan.

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 (8ᵗʰ January 2024)

No full audits have been completed since the previous reporting period; however, two grants have been certified.

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.

Warm Homes Grant - Director of Housing, Neighbourhoods and Building Services

Grant Verification - Sample testing and full testing of the final figures (expenditure and measures installed) 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 January 2024)

Direct Payments - Director of Children, Families and Education

Original Exceptions Raised

Critical	High	Medium	Low
0	2	3	0

Follow Up Exception Position

Critical	High	Medium	Low
0	1	1	0

Original Assurance Level

No Assurance

Follow Up Assurance Level

Limited Assurance

The new implantation dates are scheduled to be completed by December 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

In summary, 2 medium and 1 high risk exception has been closed as a result of follow up work and 1 high and 1 medium risk exceptions remain open or in progress. The high risk that is in progress relates to the lack of annual financial reviews, follow up testing confirmed that an audit proforma has been created and that all direct payment accounts will receive an audit by the end of the year, at time of testing 8 trial audits had been completed. The medium risk exception that is open relates to the lack of evidence for Direct Payment performance monitoring, follow up testing established that the direct payment

audit tracker will be used by management to monitor the progress of direct payment audits; however, at the time of testing the supervision arrangements for the newly appointed Business Support Officer who will be undertake the Direct Payment Audits was being agreed.

Medina School - Director of Children Services & Education

Original Exceptions Raised

Critical	High	Medium	Low
0	2	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 implantation date is scheduled to be completed immediately.

Follow Up 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

Original audit testing highlighted two high and two medium risk exceptions. At the time of the original audit the medium risk associated with cash holdings was accepted by the Headteacher. Follow up testing confirmed that one high and one medium risk exception have been closed and verified. The remaining high risk exception is in progress, testing found that an asset register had been compiled but evidence of asset audits were not being documented.

Wimborne Primary - Director of Children Services & Education

Original Exceptions Raised

Critical	High	Medium	Low
0	1	3	2

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

Original audit testing highlighted one high, three medium and two low risk exceptions. Follow up testing confirmed that all 6 exceptions have been closed.

Craneswater School - Director of Children Services & Education

Original Exceptions Raised

Critical	High	Medium	Low
0	2	3	1

Follow Up Exception Position

Critical	High	Medium	Low
0	0	2	0

Original Assurance Level

Reasonable Assurance

Follow Up Assurance Level

Reasonable Assurance

The new implantation dates are scheduled to be completed by 31st 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	Assurance
Reliability and Integrity of Data	NAT

Original audit testing highlighted two high, three medium and one low risk exception. Follow up testing confirmed that two high, one medium and one low risk exception have been closed. The remaining two medium risk exceptions surrounding policies were found to be in progress with new completion dates of 31st December 2023.

Corporate Health and Safety - Director of Corporate Services

Original Exceptions Raised

Critical	High	Medium	Low
0	5	3	0

Follow Up Exception Position

Critical	High	Medium	Low
0	4	2	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Limited Assurance

The new implantation dates are scheduled to be completed by March 2024

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

5 high risk exceptions around accident reporting, fire safety training and First Aid training and 3 medium risk exceptions relating to out-of-date policies, Health and Safety training, DSE Assessment training and completion of home working DSE's were raised. Follow up testing confirmed that 1 high and 1 medium risk exception has been closed and verified and the remaining 6 exceptions are open or in progress. This relates to the lack of compliance for the Corporate Health and Safety training, Accident Reporting training, DSE Assessment training, Fire Safety training, First Aid training and the monitoring of compliance for all training. These exceptions are contingent on the procurement of the new LMS. Until then, levels of non-compliance cannot be monitored, nor can meaningful statistical data be provided. Audit have been advised that a supplier for the new system should be finalised around

December 2023, work will then be undertaken for the following months to ensure all the data inputted is accurate, which will give the Health and Safety team, as well as the Learning and Development team, the capability of running reports which could indicate this data.

Fusion and HR General Controls- Director of Finance and Resources

Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	0

Follow Up Exception Position

Critical	High	Medium	Low
0	1	1	0

Original Assurance Level

Reasonable Assurance

Follow Up Assurance Level

Reasonable Assurance

The new implantation dates are scheduled 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	NAT
Reliability and Integrity of Data	NAT

Original audit testing highlighted one high and two medium risk exceptions. Actions to mitigate one of the medium risk exceptions were implemented during the initial audit. Follow up testing found that the high risk exception in relation to reporting on bank holiday leave is in progress and further time has been requested to allow work to be undertaken by an external consultant. The medium risk exception concerning producing compliant statutory reports is also in progress with alternative solutions being investigated.

Income Dues Compliance- Port Director

Original Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Follow Up Exception Position

Critical	High	Medium	Low
0	0	2	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Assurance

Follow Up 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	NAT
Reliability and Integrity of Data	Assurance

Original audit testing highlighted two high risk exceptions. Follow up testing confirmed that both exceptions had been closed as the Port were undertaking reviews of the information provided by the ferry company as agreed.

10. 2023/24 2ⁿᵈ Follow-up Audits to date (8ᵗʰ January 2024)

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.

Water Safety (2ⁿᵈ Follow Up) - Director of Culture, Leisure & Regulatory Services

1ˢᵗ Follow-Up Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

2ⁿᵈ Follow Up Exception Position

Critical	High	Medium	Low
0	1	0	0

1ˢᵗ Follow-Up Assurance Level

Reasonable Assurance

2ⁿᵈ Follow Up Assurance Level

Assurance

2ⁿᵈ Follow Up Assurance Level by Scope Area

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

Initial follow up testing confirmed that of the exceptions raised in the original audit; one high risk exception relating to a policy was in progress. Testing during the 2ⁿᵈ follow up found that a draft policy was now in place which is expected to be fully adopted by June 2024. Internal Audit was satisfied that the risk exposure is now being suitably managed effectively.

Direct Payments (2ⁿᵈ Follow Up) - Director of Adult Care

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

Reasonable Assurance

2ⁿᵈ Follow Up Assurance Level

Reasonable Assurance

2ⁿᵈ Follow Up Assurance Level by Scope Area

Scope Area	Level
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 were closed at the conclusion of the first follow up with three high-risk exceptions in progress. Evidence provided during the previous review, supported by additional testing, confirmed that there had been significant improvement in maintaining client reviews within SystmOne, and in adding explanatory notes to ContrOCC. 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.

2nd follow up testing of a recent sample of 10 ASC DP cases highlighted that more discrepancies were found in the second follow up testing than the first follow up testing. It should be noted that the first follow up agreed a revised action date of 1st April 2024 for all relevant exceptions, which has not yet been reached. Based on second follow up retesting carried out, the assurance level remains as reasonable assurance over ASC DPs function.

A supporting paper by the Director of Adults has been provided for information and is attached to the covering report for this paper - Appendix B.

11. 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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