

- Official -



Portsmouth
CITY COUNCIL

Internal Audit Progress Report 1st July 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.

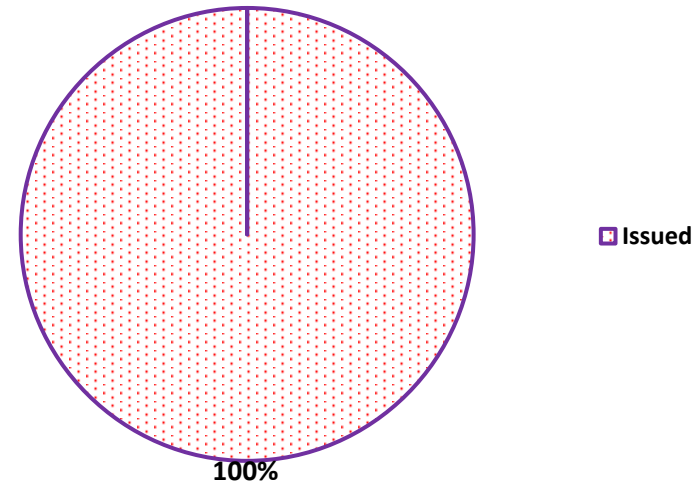
2. Audit Plan Progress as of 1st July 2024

There are 30 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 63 reviews. *

To date, 63 (100%) have been finalised as of 1st July 2024.

Status	Audits
Identified	0
Fieldwork	0
Draft Report	0
Final Report	63

Audit Plan Progress as of 1st July 2024



**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
- 193 investigation cases - (includes, corporate, benefit and council tax support cases)
- 10 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 removed from the Audit Plan:

- Port Capital Repairs/Projects - deferred to the 2024/25 plan as the client did not have the capacity to facilitate the audit.
- PFI Contract (Claims) - deferred to the 2024/25 plan due to client capacity to facilitate the audit.

5. Areas of Concern

No new areas of concerns have been identified.

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. 2023/24 Audits completed to date (1st July 2024)

System One - Director of Adult Social Care

Exceptions Raised

Critical	High	Medium	Low
0	1	2	1

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by June 2024

Assurance Level by Scope Area

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

The high-risk exception was raised as testing found that the contract performance was not being measured in line with the contractual clauses. The first medium risk exception related to the requirement to download large data sets on a monthly basis for reporting purposes. The downloads contain large amounts of historic and sensitive data not all of which is relevant to PCC's reporting needs. The final medium risk exception related to the leavers process and ensuring access is removed promptly.

Manor Infants - Director of Children Services & Education

Exceptions Raised

Critical	High	Medium	Low
0	2	3	0

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by June 2024

Assurance Level by Scope Area

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

The high-risk exceptions were raised as the school inventory/asset register had not been reviewed since April 2022 and a lack of a business continuity plan being in place. The medium risk exceptions related to non compliance with Financial Rules in respect of income receipting and counting, the Parents (PTFA) account not being audited as required by the Schools Financial Value Standard and 3/15 Purchase Card transactions not being supported by relevant receipts.

Prevention and Early Intervention - Director of Children Services & Education
Exceptions Raised

Critical	High	Medium	Low
0	2	0	2

Overall Assurance Level

Limited Assurance

Agreed actions are scheduled to be implemented by the end of July 2024

Assurance Level by Scope Area

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

The first high risk exception was raised as testing found that Family Support Plan forms were not completed within the 25 working day target in 5 of 19 cases, in addition reviews of these support plans should be conducted after 12 weeks, 10 of the 19 within the sample were not completed by the target date. The second high risk exception related to a lack of adequate supervision records for 8 of a sample of 19 files.

Children We Care For (Care Experienced) - Director of Children Services & Education
Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by the end of May 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

The two medium risk exceptions related to Pathway Plans not being completed within the expected 6 month timescale for 3 of 25 cases and the accuracy of review and manager authorisation dates noted within the system.

Covert Surveillance - Executive
Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level
Reasonable Assurance

Agreed actions are scheduled to be implemented by the end of September 2024

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	NAT
Reliability and Integrity of Data	Reasonable Assurance

A medium risk exception was raised as 1 of 5 Regulation of Investigatory Powers Act 2000 applications had been retained for longer than the 6 years stipulated within the codes of practice.

Key Controls - Executive
Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level
Reasonable Assurance
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

For the last few years Internal Audit has tested key controls within the authority following a spate of small thefts and frauds, along with concerns of reducing control levels. Testing as part of the 2023-24 audit plan has identified improvements in the control arrangements for a number of areas, meaning that a reasonable assurance level can be provided. Additional testing will be carried out during 2024-25 in other areas untested in recent years. Relevant exceptions have been raised under the relevant audit areas and have been either previously reported or are contained within this report.

Modern Slavery Authority Compliance - Executive
Exceptions Raised

Critical	High	Medium	Low
0	2	0	0

Overall Assurance Level
Reasonable Assurance
Agreed actions are scheduled to be implemented by December 2024
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	NAT
Reliability and Integrity of Data	NAT

Whilst the council has established a strategic framework for modern slavery compliance the directorates are at varying stages in implementing their own arrangements that support the strategic approach. Neighbourhood and Building Services for example have established working practices to ensure their supply chain is acting appropriately and can demonstrate as such. Adult and children services are less developed with actions plans yet to be fully implemented.

Performance Management Reporting - Executive
Exceptions Raised

Critical	High	Medium	Low
0	0	1	5

Overall Assurance Level
Reasonable Assurance
Agreed actions are scheduled to be implemented by June 2024
Assurance Level by Scope Area

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

A medium risk exception was raised as testing found that 4 of 9 Directorates were not using systems and tools to develop their performance reporting models. The five low risk improvements related to linking directorate objectives to the corporate vision, 3 of 9 Directorates not using SMART objectives, 4 of 9 Directorates fully incorporating residents' perspectives, 2 of 9 Directorates not benchmarking and/or seeking continuous improvement and corporately a lack of peer review or challenge being undertaken.

Accounts Payable - Director of Finance and Resources
Exceptions Raised

Critical	High	Medium	Low
0	0	1	1

Overall Assurance Level

Reasonable Assurance

Agreed actions have already been implemented

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

The medium risk exception was raised as during duplicate payment testing it was noted that the system the service use to monitor duplicate payments was not identifying duplicate credits. The low risk related to 1 invoice (from a sample of 10) that was paid 4033 days late.

Payroll and Pension - Director of Finance and Resources
Exceptions Raised

Critical	High	Medium	Low
0	0	1	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by February 2024

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	Assurance
Reliability and Integrity of Data	NAT

The medium risk exception was raised as testing found that of 247 apprentices 8 were on the wrong National Insurance code within Fusion. A further 11 apprentices were listed on an apprentice code in Fusion but not noted on the Learning and Development tracker. The low risk was raised as 3 of a sample of 10 overtime claims were found not to contain sufficient detail as to the reasons for the overtime.

Procurement - Director of Finance and Resources
Exceptions Raised

Critical	High	Medium	Low
0	0	2	0

Overall Assurance Level
Reasonable Assurance
Agreed actions scheduled to be implemented by October 2024
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	Assurance

One medium risk exception relates to a lack of fully automated system controls are not yet available for all finance systems across PCC, a new KPI model on procurement compliance has been developed but not fully rolled out. The final exception was raised as testing on a sample of 10 contracts found 7 had no KPI records in In-Tend, 3 had not undertaking additional contract monitoring and the justification for the award could not be evidenced for 2.

Asbestos - Director of Neighbourhood and Building Services
Exceptions Raised

Critical	High	Medium	Low
0	0	1	0

Overall Assurance Level
Reasonable Assurance
Agreed actions scheduled to be implemented by the end of June 2024
Assurance Level by Scope Area

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

The medium risk exception relates to the lack of available evidence of asbestos training being completed. This is part of a wider issue in respect of the current Learning and Development system being unable to accurately record when mandatory training has been completed.

CCTV Corporate - Director of Neighbourhood and Building Services
Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level
Reasonable Assurance
Assurance Level by Scope Area

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

No exceptions were raised but a reasonable assurance opinion has been given due to a lack of supporting documentation for cameras installed prior to 2004. An exception was not raised in this area as it was felt that no mitigating action was required due to the age of the cameras and the fact that no recent concerns had been raised regarding their deployment.

Reactive Maintenance - Director of Neighbourhood and Building Services
Exceptions Raised

Critical	High	Medium	Low
0	1	3	0

Overall Assurance Level
Reasonable Assurance
Agreed actions scheduled to be implemented by April 2025
Assurance Level by Scope Area

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

The high-risk exception was raised as testing found that actions agreed at contract management meetings in regard to the monitoring and review of contractors costs were not being completed. 15 actions were reviewed, 7 could not be evidenced as completed, 5 had been started and 3 completed. The medium risk exceptions related to a lack of site visits to review repairs, potential value for money gains by producing guidance for the contractors and a lack of data over the condition of homes. Testing found 3082 out of 14985 properties had no data regarding their condition.

Local Health Resilience Planning - Director of Public Health
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	NAT
Effectiveness and Efficiency of Operations	Assurance
Reliability and Integrity of Data	NAT

No exceptions were raised during this audit.

Enterprise Centres - Director of Economy, Transport and Planning
Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Overall Assurance Level

Limited Assurance

Agreed actions scheduled to be implemented by April 2025

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	Reasonable Assurance
Reliability and Integrity of Data	NAT

The first high risk exception was raised as testing found that no centralised record of repairs and maintenance works undertaken was being maintained which meant the only management trail available was payments made in Fusion. The second high risk related to a lack of clear management trail and authorisations regarding introductory offers and rent increases. The medium risk exception relates to a lack of audit trail on quotes being obtained for repair work.

Lakeside - Director of Economy, Transport and Planning
Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Agreed actions scheduled to be implemented by April 2025

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	Assurance
Reliability and Integrity of Data	NAT

No exceptions were raised during this audit.

Transforming Cities Fund - Director of Economy, Transport and Planning

Grant Verification - This is a multi year grant where work on projects is due to finish during 2024/25. Due to the scale of the work and high levels of expenditure already incurred Internal Audit completed preliminary checks on expenditure incurred to date to lessen the workload required in 2024/25.

Local Authority Delivery - 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.

Troubled Families Grant - Director of Children Services and Education

Throughout the year Internal Audit reviewed a sample of submissions to ensure that the information reported was accurate.

Shareholder Governance Companies - Executive

Attendance at the shareholder Governance Board is carried out by the Chief Internal Auditor

9. 2023/24 Follow-up Audits to date (1st July 2024)

Care Home Placements - Director of Adult Social Care

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 dates are scheduled to be completed by April 2025

Follow Up 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	Reasonable Assurance
Reliability and Integrity of Data	NAT

Original audit testing highlighted a high risk with regard to Care Act assessments and placements being accurately recorded. Follow up testing found that some actions have been implemented however further testing on a different sample found that records were still not being accurately updated. The other high risk related to PCC's standard rates being not fit for purpose and not representative of actual costs and as such not being used. A review of a sample of 25 found 22 were costed above PCC's standard rate. The agreed action to undertaken analysis into costs of care had not been started, as a result the exception remains open. The medium risk exception with regard to contract monitoring was in progress.

Website Accessibility Compliance - Director of Corporate Services

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Follow Up Exception Position

Critical	High	Medium	Low
0	2	0	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Reasonable Assurance

The new implementation dates are schedules to be completed by March 2025

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

Actions required in relation to the accessibility statement have been implemented. Action plans across the council are in progress, with the board of directors responsible for compliance within their areas.

Cemeteries - Director of Culture, Leisure and Regulatory Services
Original Exceptions Raised

Critical	High	Medium	Low
0	1	5	0

Follow Up Exception Position

Critical	High	Medium	Low
0	0	0	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Assurance

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 six exceptions raised in the original audit were found to have been closed.

Port Accounts Payable and Receivable - Director of Corporate Services
Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	1

Follow Up Exception Position

Critical	High	Medium	Low
0	0	1	0

Original Assurance Level

Reasonable Assurance

Follow Up Assurance Level

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

One high and one low risk exception have been closed. The remaining medium risk exception relates to non compliance with Financial Rules in respect of purchase orders not being raised before expenditure is incurred, a sample of 25 was tested and 2 of the 25 were non compliant.

Commercial Rents and Leases- Director of Economy, Transport and Planning
Original Exceptions Raised

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

Both high risks raised under the original review are in progress. They relate to building compliance checks, specifically tenant responsibilities and overdue rent reviews.

Community Infrastructure Levy- Director for Economy, Transport and Planning
Original Exceptions Raised

Critical	High	Medium	Low
0	1	2	1

Follow Up Exception Position

Critical	High	Medium	Low
0	1	1	1

Original Assurance Level

Reasonable Assurance

Follow Up Assurance Level

Reasonable Assurance

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

Follow Up Assurance Level by Scope Area

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

One medium risk exception has been closed. The outstanding high risk relates to discrepancies found between actual income figures and those being published by the Authority. The process to complete the reconciliations has now begun with the 2023/24 data. The open medium risk relates to the correct process not being followed in respect of the completion of all relevant forms. Follow up testing found that 3 of a sample of 5 applications subject to a relief or exemption did not have the required Form 1A completed.