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Portsmouth
CITY COUNCIL

Internal Audit Progress Report 16th September 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.

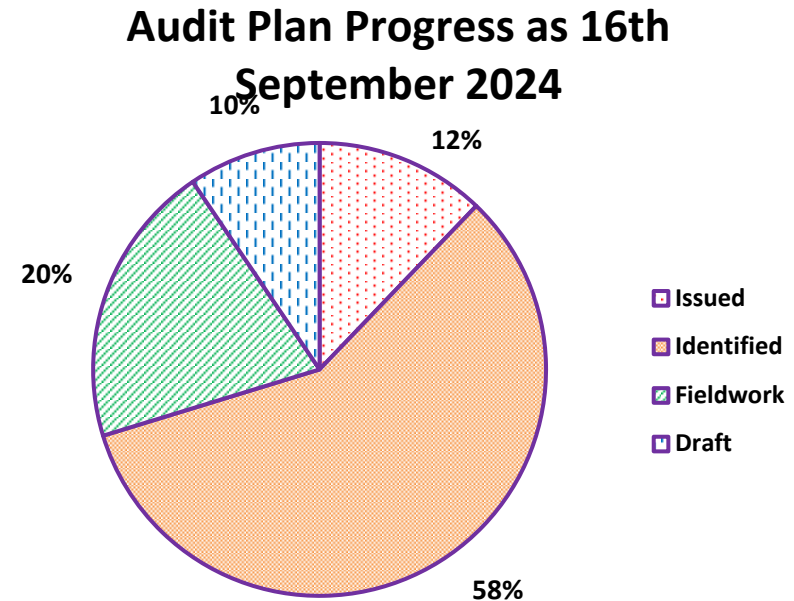
This report includes the status against the 2024/2025 internal audit plan.

2. Audit Plan Progress as of 16th September 2024

There are 39 full audits, 13 first follow ups, 7 second follow up reviews, 13 grants, 4 pieces of consultancy and one piece of work tracking exception implementation in the plan for 2024/25, totalling 74 reviews. *

To date, (12%) have been finalised as 16th September 2024 with a further 7 (10%) at the draft report stage.

Status	Audits
Identified	43
Fieldwork	15
Draft Report	7
Final Report	9



**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
- 83 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 28th February 2024 had a total of 73 reviews. The following changes have been made since the last progress report.

Audits removed from the Audit Plan:

- Asbestos (1st Follow Up) - Originally in the plan pending the results of the 2023/24 full audit. The result of that audit means that a follow up was not required.
- Local Health Resilience Planning (1st Follow Up)- Originally in the plan pending the results of the 2023/24 full audit. The result of that audit means that a follow up was not required.
- Marine M Application (Full)- the audit was not required as it was previously covered in 2021/22 and received full assurance
- Capital Repairs/Projects (1st Follow Up) - the original audit in 2023/24 did not take and as such the planned follow up was removed from the current plan
- Lakeside (1st Follow Up) - Originally in the plan pending the results of the 2023/24 full audit. The result of that audit means that a follow up was not required.
- Short Breaks - deferred until 2025/26 due to the additional audits being added to the plan with higher risk rating or are grant related
- Better Care Fund/Continuing Healthcare - deferred until 2025/26 due to the additional audits being added to the plan. Coverage will also be provided by the Partnership Risk audit
- Quality Assurance 1st Follow Up - deferred until 2025/26 to allow the service time to implement and embed the agreed actions which are due quarter 4.
- Covert Surveillance 1st Follow Up - no high risks were identified. Risks will be followed up as part of the action tracker piece of work
- Reactive Maintenance 1st Follow Up - Actions agreed during the original audit are not due to be implemented until April 2025 so will be reviewed in 2025/26

Audits added to the Audit Plan:

- Arts Council England (Grant) - the terms of the grant required an Internal Audit review to release the final instalment of the funding
- Family Hub (Grant) - required by the terms of the grant
- Multiply (Full) - the terms of the grant required a full internal audit of processes to be completed and reported.

- Arts Council England 2 (Grant) - the terms of the grant required an Internal Audit review to release the final instalment of the funding
- Contain Outbreak Management Fund (Grant) - required by the terms of the grant
- Supporting Families (Grant) - Ongoing grant verification throughout the year as required by the grant conditions
- Copnor Primary (Full)- audit required as part of school audit cycle
- Libraries (Full) - audit added to the plan in response to issues highlighted during investigative work completed in 2023/24
- Purchase Cards & Subsistence (Full) - issues were raised by the Travel and Benefits team. After the initial investigation a full audit review was deemed necessary
- Tracker Follow Ups - where completed audits only have medium or low risks or have already been subject to two follow ups the exceptions will be managed via an implementation tracker. More information can be found under paragraph 10
- Fraud Survey (Full) - added so that Internal Audit could understand directorate fraud risk

Audits amended in the Audit Plan:

- The full audit title "Project" has now been changed to Fusion Project Delivery
- The PFI audit originally intended to be a follow up has been amended to a full 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. 2024/25 Audits completed to date (16th September 2024)

Cashiers - Director of Corporate Services

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	NAT
Reliability and Integrity of Data	NAT

No exceptions were raised during this review.

Hire Cars - Director of Economy, Transport and Planning

Exceptions Raised

Critical	High	Medium	Low
0	2	3	1

Overall Assurance Level

Limited Assurance

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

The high-risk exceptions were raised as testing found that staff had hired cars but there was no evidence their required driver licence check had been undertaken and were failing to return the pre and post hire records. The medium risks related to the lack of a signed waiver for the contract extension and staff not reporting accidents within the required timeframe.

Multiply Grant - Director of Economy, Transport and Planning
Exceptions Raised

Critical	High	Medium	Low
0	1	1	1

Overall Assurance Level
Reasonable Assurance

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

The high risk exception related to the Authority's providers not completing eligibility checks in line with the grant requirements. The medium risk exception related to weaknesses identified with the contract monitoring arrangements.

Purchase Cards - Subsistence and Fines - Director of Finance and Resources
Exceptions Raised

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

The first high risk exception related to staff using Purchase Cards to buy subsistence which should be bought using their own funds and reclaimed via i-Expenses. The second exception was raised as testing found that staff had paid fines including parking, train and clean air zone fines via purchase card which is non compliant with policy.

Area Housing Offices - Director of Housing, Neighbourhood and Building Services
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 September 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	NAT
Reliability and Integrity of Data	NAT

The first medium risk exception was raised because 3 of a sample of 25 Customer Relation Officers had not completed the full Financial Rules training. The second medium risk related to area offices retaining personal information on cheques for longer than is required.

Arts Council England - Director of Culture, Leisure and Regulatory Services

Grant Verification - The library service secured funding for a project involving the Conan Doyle Collection. In order to obtain the final instalment of funding Internal Audit were required to review and certify a statement of income and expenditure. No issues were noted and the final instalment has now been received.

Family Hub and Start for Life Grant - Director of Children, Families and Education

Grant Verification - Sample testing of expenditure and full testing of the final figures was completed. Internal Audit were 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.

Fraud Survey - Executive

A fraud survey was distributed to all directors within the Authority. No assurance assessment was provided as part of the work, instead the survey will be used to inform future areas of Internal Audit focus. All responses identified a high degree of confidence in the controls directorates have in place to detect and respond to fraud. It was also noted that there is a considerable degree of commonality regarding the areas potentially vulnerable to fraud, all of which are included in the programme of periodic review by Internal Audit.

9. 2024/25 Follow-up Audits to date (16th September 2024)

Damp & Mould - Director of Housing, Neighbourhood and Building Services

Original Exceptions Raised

Critical	High	Medium	Low
0	4	0	0

Follow Up Exception Position

Critical	High	Medium	Low
0	1	0	0

Original Assurance Level

Limited Assurance

Follow Up Assurance Level

Reasonable Assurance

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

The 3 high risks relating to guidance and process, repairs and complaints have been closed. A new policy was approved by Cabinet in February 2024, testing of a sample of 20 repairs found that the new process was being used and the correct level of information was being captured. The six complaints received since the previous audit were reviewed and found that the service were recording these in line with the agreed action. The outstanding high risk exception in relation to highlighting cases where tenant welfare could be a concern was found to be in progress.

10. 2024/25 Exception Implementation Tracking

Internal Audit will schedule a follow up audit to any completed full audit that has at least one high risk exception. If an audit contains only medium or low risk exceptions or has already been subject to two follow up audits the implementation of those actions is now monitored via a tracker. By centrally tracking these open exceptions it allows for better monitoring and reporting both internally and to Directors to aid in the completion of agreed actions.

Since April 2024 Internal Audit has updated 4 exceptions within the tracker across two audit areas.

Council Tax and NNDR			
Exception Level	Number Reviewed	Number Completed	Number Outstanding
High	0	0	0
Medium	2	2	0
Low	0	0	0

Hive			
Exception Level	Number Reviewed	Number Completed	Number Outstanding
High	2	2	0
Medium	0	0	0
Low	0	0	0