Internal Audit Progress Report
14th December 2020

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*
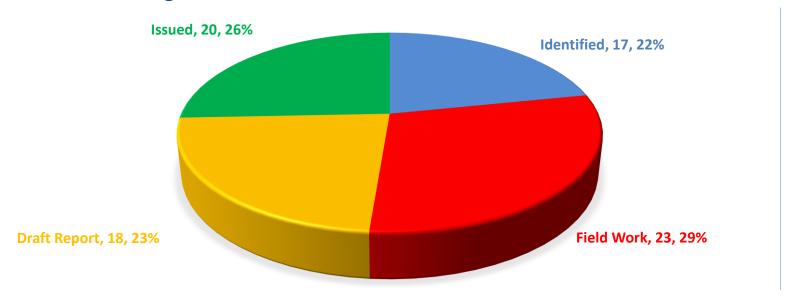
The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2016].

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 2020/21 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 May 2018.

2. Audit Plan Progress as of 30th November 2020

Issued, 20, 26%

Identified, 17, 22%

Field Work, 23, 29%

Draft Report, 18, 23%

There are a total of 78 reviews in the 2020/21 Audit Plan.

To date, 61 (78%) have been completed or are in progress as at 30th November 2020. This represents 20 (26%) audits where the report has been finalised, 18 (23%) where the report is in draft and 23 (29%) audits currently in progress.

Status	Audits
Identified	17
Fieldwork	23
Draft Report	18
Final Report	20
Total	78

3. Ongoing Internal Audit Involvement

Internal Audit has undertaken work or provided advice in the following areas. (For reference, advice is only recorded when the time taken to provide the advice exceeds one hour):

- Anti-Money Laundering - This includes receipt of instances of large cash payments received and onward reporting if deemed appropriate.
- National Fraud Initiative (NFI) to facilitate national data matching carried out by the Cabinet Office. There has been two additional NFI exercises in relation to COVID-19, these relate to mortality and business grants.
- COVID-19 Assurance reporting and grant verification.
- Audit Planning and Consultation - This includes periodical consultation with Directors and revision of the plan following subsequent research into individual assignments.
- Routine advice on controls and risk management.
- COVID-19 loss of income analysis and softer approaches to debt recovery data exercise.
- Investigations which are in various stages. A more detailed report of concluded investigations will form part of the annual fraud report which will be presented to the Governance Committee in due course.

4. Audit Plan Status/Changes

The Audit Plan will be more flexible this year to take into account the additional work in relation to the COVID-19 pandemic. Since the last reporting period the following should be noted; **Additions, removals and amendments to the 2020/21 Audit Plan:**

- Addition – Business World – Review of key controls.
- Addition – Pension Return – Request for an independent review.
- Addition – Travel Demand Management Grant
- Removal – COVID 19 Bus Support Restart 31/5020 Window 2 – Certification periods merged into one window.
- Removal – Public Health Outcomes – Removed due to COVID-19 and overall risk assessment.
- Removal – Tower Blocks – Unable to complete site visits due to COVID-19 restrictions.

5. Areas of Concern

There are no 'no assurance' opinion audits being reported on this period, all other findings are noted below.

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6. Assurance Levels

Internal Audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of 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 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 Committee along with Director's comments

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8. 2020/21 Audits completed to 30ᵗʰ November 2020

Public Protection Notices (PPN1)

Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

Overall Assurance Level

Limited

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Limited
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	Limited
Reliability and Integrity of Data	No Areas Tested

Based on the testing carried out there are several cases (as highlighted) where Internal Audit would question the rationale behind the decisions made to share or not to share the contents of a PPN1. This combined with the lack of an Authority wide risk assessment for sharing and the absence of a Legal Framework to support the decisions on what to share leaves Southampton City Council open to potential reputational and legislative risks. The first risk reported relates to the Data Protection Impact Assessment covering PPN1 sharing with education settings not being finalised. The second high risk relates to neither a consultation nor engagement taking place in advance to changes made to the sharing of PPN1 documentation and/or content with schools. The final high risk relates to the Information Sharing Protocol in place for sharing data with City Schools and Academies does not specifically refer to PPN1 notices, is not dated and is not clear if there is a signed protocol in place.

Disabled Facilities Grant

Exceptions Raised

Critical	High	Medium	Low
0	0	0	0

Overall Assurance Level

Assurance

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	Assurance
Effectiveness and Efficiency of Operations	No Areas Tested
Reliability and Integrity of Data	No Areas Tested

Based on the testing carried out Internal Audit can give assurance that the administration of the 2019/20 Disabled Facilities Grant is of low risk to the Authority. As a result Internal Audit have provided the necessary statement to the Ministry of Housing, Communities and Local Government as required by the grant determination letter.

COVID-19 Income Loss Claim

Grant Outcome:	Assurance

Internal Audit have not found any issues with the Authority's return. This review included evidencing where the figures had been drawn, how the return has been complied, confirmed the 2020/21 base budget figures were used and reviewed and challenged income areas being claimed. No testing has been completed to verify the accuracy of the figures being claimed as these are estimated figures. The final return will be subject to a full reconciliation exercise when actual figures are known. Further returns are due in December 2020 and March 2021.

Infection Control Grant

Grant Outcome:	Assurance

Verification against terms and conditions - Testing under phase one has confirmed that payments to adult social care providers have been made in accordance with grant terms and conditions.

Local Capital Transport Grant

Grant Outcome:	Assurance

Based on the testing carried out Internal Audit can give assurance that the administration of the Local Capital Transport Grant is of low risk to the Authority. As a result Internal Audit have provided the necessary return to central government confirming that the terms and conditions have been adhered to.

Additional Dedicated H2S & College Transport Grant
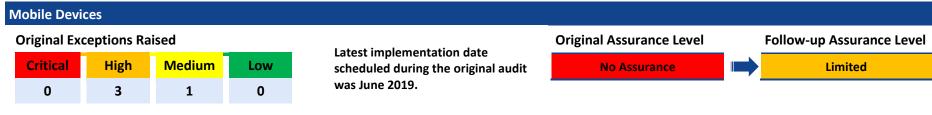
Grant Outcome:	Assurance

Based on the testing carried out Internal Audit can give assurance that the administration of the Additional Dedicated Home to School and College Transport Grant is of low risk to the Authority. As a result Internal Audit have provided the necessary return to central government confirming that the terms and conditions have been adhered to.

9. 2019/20 Follow-up Audits completed to 30th November 2020

Ethics

Original Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Latest implementation date scheduled during the original audit was December 2019.

Follow-up Assurance Level

Limited ➡ **2nd Follow Up Level** Reasonable

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (Medium)	0	2 (High)	0	0	0

Follow up testing was able to close down both high risks and move the overall assurance to reasonable. A medium risk which was originally raised due to the HR Pay Team only being able to locate 7/16 register of outside interests declaration, follow up testing found that the process had been updated but the electronic form had not yet gone live.

Mobile Devices

Original Exceptions Raised

Critical	High	Medium	Low
0	3	1	0

Latest implementation date scheduled during the original audit was June 2019.

Original Assurance Level

No Assurance ➡ **Follow-up Assurance Level** Limited

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (High)	0	2 (High) 1 (Medium)	0	0	0

Follow up testing was able to close two high and one medium risk. One high risk remains in progress in relation to identifying unassigned mobile devices and suspending, then terminating them. Audit testing found that there are 149 fewer connected lines than found during the original audit and the number of devices that could not be matched to an employee dropped from 751 to 180.

Regeneration Projects

Original Exceptions Raised

Critical	High	Medium	Low
0	1	1	0

Latest implementation date scheduled during the original audit was April 2020.

Follow Up Assurance Level

Reasonable

2nd Follow Up Level

Reasonable

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	1 (Medium)	0	1 (High)	0	0	0

Follow up testing was able to close the high risk exception. A medium risk remains open as the notes from a specific project did not include relevant budgetary information relating to the budget position.

Voids

Original Exceptions Raised

Critical	High	Medium	Low
0	3	0	0

Latest implementation date scheduled during the original audit was July 2020.

Follow Up Assurance Level

Limited

Follow-up Assurance Level

Reasonable

Follow Up Action

Open	Pending	In Progress	Implemented but Not Effective	Closed: Verified	Closed: Not Verified	Closed: Management Accepts Risks	Closed: No Longer Applicable
0	0	3 (High)	0	0	0	0	0

The first high risk was raised initially in relation to incomplete void property records, follow up testing found that new procedures had been rolled out to ensure a consistent approach to tenancy documentation across all locations but this was still in its infancy stages. The second high risk was raised in relation to the authority not reclaiming damage/clearance costs from former tenants, follow up testing found that a business plan has been drafted to undertake pre-vacation checks and a temporary staff member has been recruited to administer void recharges. The third high risk was raised initially in relation delays in turning around routine and major works voids, follow up testing found that during quarter 2 over 50% exceeded turnaround targets but this was impacted on by COVID-19 restrictions.

10. Follow-up Action Categorisation

The following table outlines the follow up categories used to describe the outcome of follow up testing completed.

Follow Up Categories	Description
Open	*No action has been taken on agreed action.*
Pending	*Actions cannot be taken at the current time but steps have been taken to prepare.*
In Progress	*Progress has been made on the agreed action however they have not been completed.*
Implemented but not Effective	*Agreed action implemented but not effective in mitigating the risk.*
Closed: *Verified*	*Agreed action implemented and risk mitigated, verified by follow up testing.*
Closed: *Not Verified*	*Client has stated action has been completed but unable to verify via testing.*
Closed: *Management Accepts Risk*	*Management has accepted the risk highlighted from the exception.*
Closed: *No Longer Applicable*	*Risk exposure no longer applicable.*

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11.   Audits in Draft

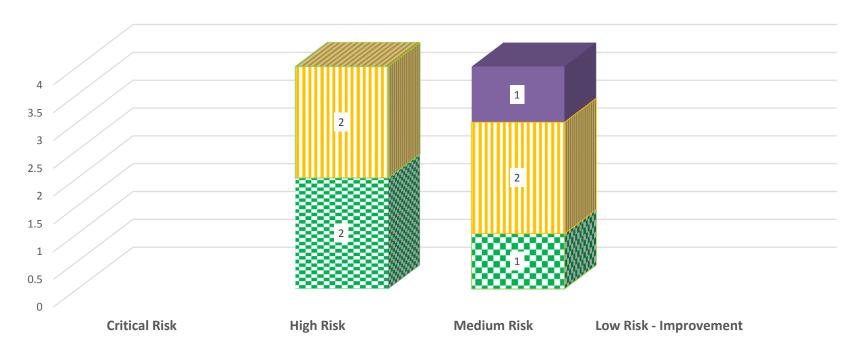| Audit	Directorate	Projected Reporting	Revised	Comments
Agency / Temps	Business Services	February 2021		
Appointeeship	Wellbeing (Health & Adults) / Finance	November 2020	Feb 2021	Delay within audit resource.
Asbestos	Communities, Culture & Homes	November 2020	Feb 2021	With management for agreed actions.
Blue Badge	Wellbeing (Health & Adults)	February 2021		
CSE & Missing Persons	Wellbeing (Children & Learning)	February 2021		
Data Management	Business Services	February 2021		
Education Psychologists	Wellbeing (Children & Learning)	February 2021		
Fleet Management	Place	February 2021		
Flood Risk Management	Place	February 2021		
Grounds Maintenance	Place	February 2021		
Independent Fostering	Wellbeing (Children & Learning)	February 2021		
IT Procurement & Disposal	Business Services	November 2020	Feb 2021	With management for agreed actions.
IT Project (Paris)	Business Services	November 2020	Feb 2021	Delay within audit resource.
Looked After Children	Wellbeing (Children & Learning)	February 2021		
Procurement	Finance	November 2020	Feb 2021	Delay within audit resource.
Purchase Cards	Finance	February 2021		
Short Breaks	Wellbeing (Children & Learning)	November 2020	Feb 2021	Final actions awaiting clarification from client.
Water Quality	Place	November 2020	Feb 2021	With management for agreed actions.

12.   Audits in Progress

Audit	Directorate	Comments
Assurance Reporting	All	
Business World	Finance	
Capital Programme	Place	
Care Act Carer	Wellbeing (Health & Adults)	
Children in Need	Wellbeing (Children & Learning)	
Contract – Electric Vehicle Charging Points	Place	
COVID Bus Services Revenue Grant	Place	
COVID Bus Support Restart Grant	Place	
EU Perinatal Mental Health	Wellbeing (Health & Adults)	
Expenses, Travel & Subsistence	Business Services	
Family Matters Grant	Wellbeing (Children & Learning)	
HMO Licensing	Community, Culture & Homes	
Housing Depot (Responsive Repairs)	Community, Culture & Homes	
Parking (Income Collection)	Community, Culture & Homes	
Payroll	Finance	
Pension Return	Finance	
Pest Control	Place	
Polygon School	Wellbeing (Children & Learning)	

Recruitment and Retention	Business Services	
Refunds	Finance	
Supplier Performance	Finance	
Travel Demand Management Grant	Place	
Woolston School	Wellbeing (Children & Learning)	

13. Exception Analysis to Date

	Achievement of Strategic Objectives	Compliance	Effectiveness of Operations	Reliability & Integrity	Safeguarding of Assets	Total
Critical Risk						
High Risk		2	2			4
Medium Risk		1	2	1		4
Low Risk - Improvement						
Grand Total	0	3	4	1	0	8

14. Follow Up Analysis

High Risks   **Medium Risks**   **Low Risks**

Open   Pending

In Progress   Implemented but not effective

Closed – Verified   Closed – Not Verified/Accepts Risk

	Open	Pending	In Progress	Implemented but not effective	Closed – Verified	Closed – Not Verified	Closed – Management Accepts Risk	Closed – No Longer Applicable
High Risk			5	1	8			
Medium Risk	1		2	2	2			
Low Risk			1		2	1	1	
Grand Total	**1**		**8**	**3**	**12**	**1**	**1**	

The Internal Audit Service follows up all audits where at least 1 high risk exception has been raised. These audits are followed up in the next financial year to allow for agreed actions to be sufficiently implemented. Any critical risk exceptions are followed up within 3 months due to the potential severity of the risks identified. The overall position of the exceptions followed up currently through 2019/20 shows that **54%** have been closed by audit, however **46%** remain open and or are in progress.

15. Remaining 2019/20 Audits issued (30ᵗʰ November 2020)

CDM Regulations 2015

Exceptions Raised

Critical	High	Medium	Low
0	4	1	0

Overall Assurance Level

Limited

Agreed actions were scheduled to be implemented by April 2021

Assurance Level by Scope Area

Correct Application of Roles under CDM	Limited
Training and Competency	Reasonable
Governance Arrangements	Reasonable
Site Visits	Limited

The first high risk relates to 1/5 projects not assigning a principal designer or designer which according to CDM regulations are responsible for ensuring health and safety both during the project and beyond. The second high risk relates to a project requiring approval for a virement retrospectively at the Capital Project Board. The third high risk relates to inconsistencies in data held. The final high risk was raised in relation to various non-compliance to CDM regulations being identified during a site visit, which include a blank risk assessment held on the site file, the sign in/out register being a week behind, methods statements did not cover the location and doors had been removed assuming they contained asbestos. The medium risk relates to 2/3 officers named in the Construction Phase Plan having not completed the e-learning module covering CDM Regulations 2015 within the last two years.

Housing Rents & Debt Management

Exceptions Raised

Critical	High	Medium	Low
0	2	1	0

Overall Assurance Level

Limited

Agreed actions were scheduled to be implemented by December 2020

Assurance Level by Scope Area

Achievement of Strategic Objectives	No Areas Tested
Compliance with Policies, Laws & Regulations	Assurance
Safeguarding of Assets	No Areas Tested
Effectiveness and Efficiency of Operations	Limited
Reliability and Integrity of Data	Assurance

The first high risk relates to 14/30 credit balances tested had not had any action taken to refund tenants within the last 30 days (credits totalled £22,529). The second high risk relates to 18/20 former tenants debts not having any recovery action within the last 30 days which totalled the authority being owe £9,314.45. The medium risk was raised in relation to the Business World system allowing officers to self-authorise transactions over their own limits.