Internal Audit Progress Report 18th November 2021

Paul Somerset, 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 2021/22 internal audit plan.
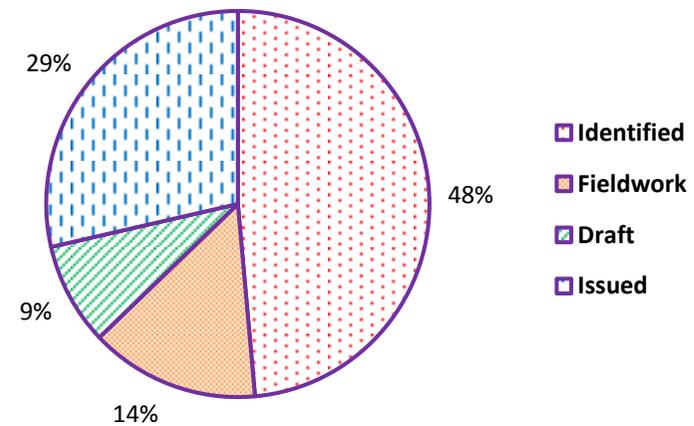
Gosport Borough Council Internal Audit Service is performed in compliance with the Public Sector Internal Audit Standards (PSIAS). Compliance to the standard was internally assessed in May 2020

2. Audit Plan Progress as of 28th October 2021

There are 35 audits in the revised plan for 2021/22.

To date, 10 (29%) have been issued, 3 (9%) are in draft report, 5 (14%) are work in progress and 17 (48%) are yet to be initiated.

Status	Audits
Identified	17
Fieldwork	5
Draft Report	3
Issued	10

Audit Plan Progress as of 28th October 2021

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3. Ongoing Internal Audit Involvement/ Covid update

COVID-19

Gosport Borough Council moved to Business Critical services on the 18th March 2020, due to the Covid pandemic. Internal Audit staff were redeployed to aid the council in processing Business Grants and assisting in the Covid welfare work. Internal Audit began to recommence activities in early July 2020 however staff were still undertaking Grant work and assisting in business recovery until July 2021

The Senior Auditor had been redeployed to assist with the administration of the grants and while this redeployed has ended, time is spent advising colleagues in this area.

It has been calculated that from April 2021 to October 2021, the Senior Auditor has spent approximately 40 days on Covid Grant related work. For context, for audit resource calculation purposes, the Senior Auditor is assigned approximately 140 days per annum for audit work

Internal Audit has provided advice, ongoing reviews and involvement 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 (if applicable) and policy review
- Anti-Money Laundering - policy review
- 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
- Standards & Governance Committee - reporting and attendance
- Audit Planning and Consultation
- Risk Management & Annual Governance Statement

4. Audit Plan Status/Changes

No changes have been made to the Audit Plan since the last meeting (October 2021)

5. Areas of Concern

No new areas of concern

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 and Audits and Standards Committee along with any Director's comments. The Committee is able to request any director attends a meeting to

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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

8. 2020/21 Audits completed to date (28th October 2021)

IT Access Controls - IT

Exceptions Raised

Critical	High	Medium	Low
0	1	1	2

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by January 2022

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	Reasonable Assurance
Reliability and Integrity of Data	NAT

The high risk exception relates to the use of admin accounts and the medium risk relates to process of deactivating leaver accounts

Enforcement - Streetscene

Exceptions Raised

Critical	High	Medium	Low
0	1	1	1

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by April 2022

Assurance Level by Scope Area

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

The high risk exception relates to a non defined inspection process and the medium risk relates to a lack of formal enforcement policy.

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9. 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.*

10. Audits in Draft to date (28th October 2021)

Audit	Directorate	Draft Since	Projected Issue Date	Revised	Comments
Partnerships	Executive	20/9/21	November 2021		
Workforce Planning Follow up	HR	26/10/21	November 2021		
Governance Follow up	Executive	26/10/21	November 2021		

11. Audits in Progress to Date (28th October 2021)

Audit	Directorate	Delayed	Projected Issued Date	Revised Issued Date	Comments
Homelessness	Housing	N/A	September 2021	November 2021	
Payroll	HR	N/A	November 2021		
Microsoft Teams	IT	N/A	November 2021		
Social Media Follow up	Executive	N/A	October 2021		
Absence Management	HR	N/A	November 2021		

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