



**GOSPORT**  
Borough Council

## Internal Audit Progress Report 14<sup>th</sup> April 2022

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.

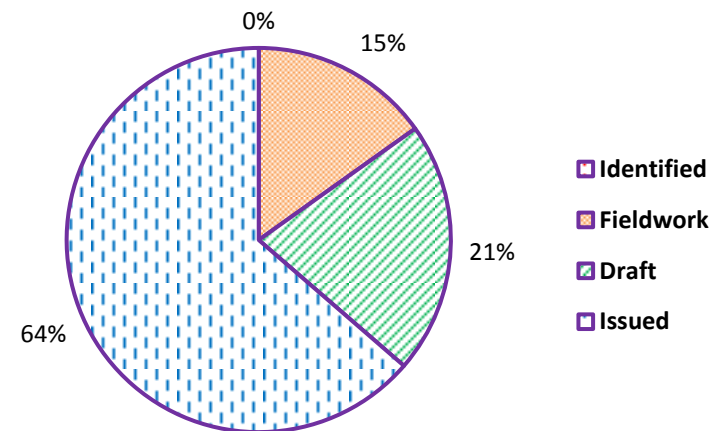
## 2. Audit Plan Progress as of 28<sup>th</sup> March 2022

There are 33 audits in the revised plan for 2021/22.

To date, 21 (44%) have been issued, 7 (9%) are in draft report and 5 (26%) are work in progress.

| Status       | Audits |
|--------------|--------|
| Identified   | 0      |
| Fieldwork    | 5      |
| Draft Report | 7      |
| Issued       | 21     |

**Audit Plan Progress as of 31st March 2022**



### 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 October 2021

The Senior Auditor had been redeployed to assist with the administration of the grants and while this redeployment 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.

Following further announcements from Central Government of more business related grants, the s151 Officer has requested that the Senior Auditor is redeployed again to assist with the administration of these new grants. The Senior Auditor is currently working on grants for 50% of the working week.

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

Additions:

- Protect and Vaccinate Grant - New grant requiring Chief Internal Auditor sign off on spend prior to March 31<sup>st</sup> 2022

Removals:

- Procurement Follow up - A follow up on the Procurement audit was conducted as part of the external audit. As such, a full audit will now be conducted by Internal Audit in 2022/23.
- Project Management - Due to resourcing levels within the Internal Audit team, this audit has been deferred.

## 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  |
|-----------------------------|---|
| <b>Assurance</b>            | <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>               |
| <b>Reasonable Assurance</b> | <i>Control weaknesses or risks were identified but overall the activities do not pose significant risks to the Authority</i>  |
| <b>Limited Assurance</b>    | <i>Control weaknesses or risks were identified which pose a more significant risk to the Authority</i>  |
| <b>No Assurance</b>         | <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> |
| <b>NAT</b>                  | <i>No areas tested</i>  |

*Audits rated No Assurance are specifically highlighted to the Standards and Governance Committee along with any Section Head 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  |
|-------------------------------|--|
| <b>Low Risk (Improvement)</b> | <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>  |
| <b>Medium Risk</b>            | <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>  |
| <b>High Risk</b>              | <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> |
| <b>Critical Risk</b>          | <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 Standards and Governance Committee along with Section Head comments*

## 8. 2021/22 Audits completed since last meeting

### Accounts Payable- Finance

#### Exceptions Raised

| Critical | High | Medium | Low |
|----------|------|--------|-----|
| 0        | 0    | 2      | 1   |

#### Overall Assurance Level

|                      |
|----------------------|
| Reasonable Assurance |
|----------------------|

Agreed actions are scheduled to be implemented by June 2022

#### Assurance Level by Scope Area

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

The medium risk exceptions relate to housekeeping of the supplier database and a lack of purchase orders raised prior to invoicing.

### Accounts Receivable - Finance

#### 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 | Assurance |
| Safeguarding of Assets                       | Assurance |
| Effectiveness and Efficiency of Operations   | Assurance |
| Reliability and Integrity of Data            | Assurance |



**Absence Management - Corporate**

Exceptions Raised

|                 |             |               |            |
|-----------------|-------------|---------------|------------|
| <b>Critical</b> | <b>High</b> | <b>Medium</b> | <b>Low</b> |
| 0               | 1           | 2             | 0          |

Overall Assurance Level

|                          |
|--------------------------|
| <b>Limited Assurance</b> |
|--------------------------|

Agreed actions are scheduled to be implemented by April 2022

Assurance Level by Scope Area

|  |                          |
|--|--------------------------|
| Achievement of Strategic Objectives          | NAT                      |
| Compliance with Policies, Laws & Regulations | <b>Assurance</b>         |
| Safeguarding of Assets                       | NAT                      |
| Effectiveness and Efficiency of Operations   | <b>Limited Assurance</b> |
| Reliability and Integrity of Data            | <b>Limited Assurance</b> |

The high risk exception relates to a lack of corporate data on absences. The medium risks relate to a lack of analysis on corporate absence and a policy regarding the management of Long Covid

**Test and Trace Grant**

Overall Assurance Level

|                  |
|------------------|
| <b>Assurance</b> |
|------------------|

The grant was signed off as in compliance with the Grant Criteria

**Homelessness Prevention Grant**

Overall Assurance Level

|                  |
|------------------|
| <b>Assurance</b> |
|------------------|

The grant was signed off as in compliance with the Grant Criteria

**Council Tax Support Grant**

**Overall Assurance Level**

**Assurance**

The grant was signed off as in compliance with the Grant Criteria

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

## 10. Audits in Draft to date (28<sup>th</sup> March 2022)

| Audit                                 | Directorate | Draft Since    | Projected Issue Date | Revised    | Comments                         |
|---------------------------------------|-------------|----------------|----------------------|------------|----------------------------------|
| Partnerships                          | Executive   | September 2021 | November 2021        | April 2022 | Further testing being undertaken |
| FOI SAR's                             | Legal       | March 2022     | April 2022           |            |                                  |
| Microsoft Teams                       | IT          | March 2022     | April 2022           |            |                                  |
| Covid Assurance                       | Corporate   | March 2022     | April 2022           |            |                                  |
| Covid Grant Assurance                 | Corporate   | March 2022     | April 2022           |            |                                  |
| Social Media Surveillance             | Corporate   | March 2022     | April 2022           |            |                                  |
| Leisure Centre Profit Share Follow Up | Finance     | March 2022     | April 2022           |            |                                  |

## 11. Audits in Progress to Date (28<sup>th</sup> March 2022)

| Audit | Directorate | Delayed | Projected Issued Date | Revised Issued Date | Comments |
|-------|-------------|---------|-----------------------|---------------------|----------|
|-------|-------------|---------|-----------------------|---------------------|----------|

## Internal Audit Progress Report

|                                    |             |     |               |            |   |
|------------------------------------|-------------|-----|---------------|------------|---|
| Direct Services Organisation (DSO) | Streetscene | N/A | February 2022 | April 2022 | Delayed due to auditor being seconded to Grant work |
| Hostels                            | Housing     | N/A | April 2022    |            |   |
| Coastline Water Safety             | Streetscene | N/A | April 2022    |            |   |
| Protect and Vaccinate Grant        | Housing     | N/A | April 2022    |            |   |
| Covid Income Loss Grant            | Finance     | N/A | April 2022    |            |   |