



GOSPORT
Borough Council

Internal Audit Progress Report 5th January 2023

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 2022/23 internal audit plan.

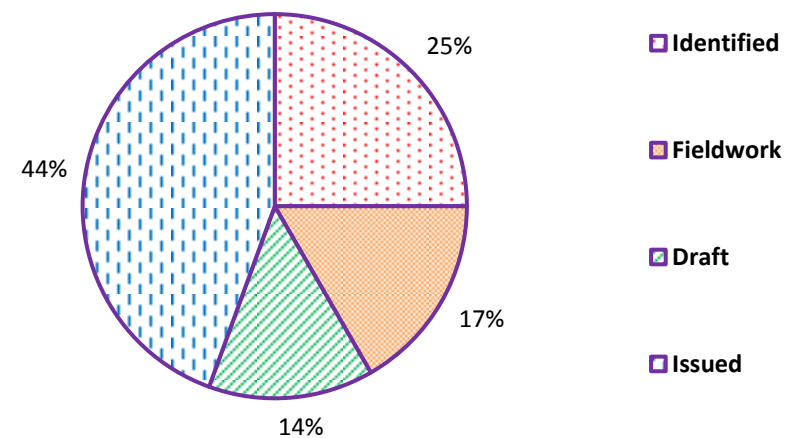
2. Audit Plan Progress as of 13th December 2022

There are 36 audits in the Audit Plan for 2022/23.

To date, 16 (44%) have been issued, 5 (14%) are in draft report and 6 (17%) are work in progress. Progress against the plan is at a good level for the time of year and there are currently no concerns that the audit plan will not be complete.

Status	Current Position	Previous Position
Identified	9	16
Fieldwork	6	3
Draft Report	5	6
Issued	16	11

Audit Plan Progress as of 13th December 2022



3. Ongoing Internal Audit Involvement/ Covid update

COVID-19

Internal Audit remain involved in assisting the Council with the administration of Covid related grants while also performing assurance work on the grants as and when required by central government. Some grants are built into the audit plan but any new grant related work that is required will be added to the plan.

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 and Audit Sub Board - reporting and attendance
- Audit Planning and Consultation
- Risk Management & Annual Governance Statement

4. Audit Plan Status/Changes

Added to the Plan:

- Corporate Complaints

Removed from the Plan:

- Project Management - New Project Management process being designed, as such an audit will be conducted in future years

5. Areas of Concern

No new areas of concern since the last meeting.

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	<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 Standards and Audit sub board along with any Section Head comments. The sub board is able to request any section head 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 Standards and Audit Sub Board along with Section Head comments

8. 2022/23 Audits completed since last meeting

Procurement - Corporate

Exceptions Raised

Critical	High	Medium	Low
0	0	3	0

Overall Assurance Level

Reasonable Assurance

Agreed actions are scheduled to be implemented by April 2023

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 3 medium risk exceptions relate to a level of non compliance in with regards to Contract Procedures Regulations, an incomplete contract register and no definitive record of all waivers granted. While issues have been noted, there has been a significant improvement from the position identified in both the original audit and subsequent follow up.

Urbaser Contract - Streetscene

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable Assurance	Achievement of Strategic Objectives	Reasonable Assurance
0	1	1	1	Agreed actions are scheduled to be implemented by April 2023	Compliance with Policies, Laws & Regulations	Limited Assurance
					Safeguarding of Assets	Assurance
					Effectiveness and Efficiency of Operations	Assurance
					Reliability and Integrity of Data	Assurance

The high risk exception related to a missing risk assessment as required by the contract. The medium risk related the monitoring and action regarding KPI's within the contract.

Community Infrastructure Levy - Planning

Exceptions Raised				Overall Assurance Level	Assurance Level by Scope Area	
Critical	High	Medium	Low	Reasonable Assurance	Achievement of Strategic Objectives	Assurance
0	1	0	0	Agreed actions are scheduled to be implemented by November 2022	Compliance with Policies, Laws & Regulations	Assurance
					Safeguarding of Assets	Limited Assurance
					Effectiveness and Efficiency of Operations	Assurance
					Reliability and Integrity of Data	NAT

The high risk exception raised related to the incorrect calculation of charges based on the rates used. Upon highlighting the error, the issue was immediately rectified and remedial action taken to resolve the incorrect charges.

9. Follow-up Action Categorisation

Microsoft Teams Follow Up - IT

Original Exceptions Raised

Critical	High	Medium	Low
0	3	2	1

Latest implementation date scheduled during the original audit was in June 2022.

Original Assurance Level

Limited Assurance

Follow-up Assurance Level

Limited Assurance

Follow Up Action

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

The in progress high risk exceptions relate to the Data Protection impact of the Councils overall GDPR management and the lack of Corporate guidance regarding the use of Teams. The open medium risk relates to the controls put in place on Teams which impacts its efficiency for staff.

Homelessness Follow Up - Housing

Original Exceptions Raised

Critical	High	Medium	Low
0	1	0	0

Latest implementation date scheduled during the original audit was in May 2022.

Original Assurance Level

Reasonable Assurance

Follow-up Assurance Level

Assurance

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	0	0	1 (1 High)	0	0	0

The exception related to a legislatively required homelessness strategy which has now been put in place and agreed.

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 (13th December 2022)

Audit	Directorate	Draft Since	Projected Issue Date	Revised	Comments
Legionella	Housing	October 2022	November 2022	January 2023	Further testing undertaken to contextualise issues raised
Coastline Water Safety Follow Up	Streetscene	October 2022	November 2022	January 2023	Delay in response to follow up queries due to other workloads
Partnerships Follow Up	Corporate	December 2022	January 2023	N/A	
IT Application Management	IT	December 2022	January 2023	N/A	
DSO Follow Up	Streetscene	December 2022	January 2023	N/A	

11. Audits in Progress to Date (13th December 2022)

Audit	Directorate	Delayed	Projected Issued Date	Revised Issued Date	Comments
Council Tax and NNDR	Housing	Yes	December 2022	January 2023	Delays in obtaining data due to workload of the client
Kier Contract	Housing	N/A	February 2023	N/A	
Countryside Management	Streetscene	N/A	February 2023	N/A	

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Payroll and Expenses	Finance	N/A	February 2023	N/A	
Social Media Follow Up	Corporate	N/A	January 2023	N/A	
Information Asset Register 2 nd Follow up	Corporate	N/A	January 2023	N/A	