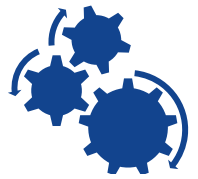




Gosport Borough Council Annual Audit Report 2023/24

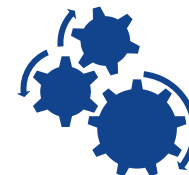
Paul Somerset, Chief Internal Auditor





Contents

- 1** Background - Page 3
- 2** Annual Opinion for 2023/24 - Page 5
- 3** Comparative 2022/23 & 2023/24 Audit Assurance Levels - Page 7
- 4** 2023/24 Audit Assurance by Section - Page 8
- 5** 2023/24 Assurance Analysis by Risk Classification - Page 10
- 6** Comparative 2022/23 & 2023/24 Exception Risk Rankings - Page 11
- 7** 2023/24 Follow Up Analysis - Page 12
- 8** **Audits Completed 2023/24 - Page 13**
- 9** Data Analytics / Continuous Auditing - Page 16
- 10** Quality Assurance - Page 17
- 11** Public Sector Internal Audit Standards - Page 19



1. Background

Public Sector Internal Audit Standards

1.1 On 1st April 2013 the *Public Sector Internal Audit Standards (PSIAS, the Standards)* were formally adopted in respect of local government across the United Kingdom. The *PSIAS* apply to all internal audit providers, whether inhouse, shared services or outsourced. The *PSIAS* were revised from 1st April 2016, to incorporate the *Mission of Internal Audit* and *Core Principles for the Professional Practice of internal Auditing*.

1.2 The *Accounts and Audit Regulations 2015 Section 5*, define the requirement for an internal audit function within local government, stating that:

A relevant authority must 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

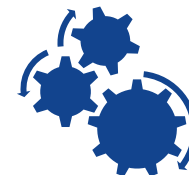
1.3 The responsibility for maintaining an adequate and effective system of internal audit within Gosport Borough Council lies with the Borough Treasurer (Section 151 Officer).

1.4 The Chief Internal Auditor is responsible for effectively managing the internal audit activity, in accordance with the definition of internal auditing, the *Code of Ethics* and the *Standards*.

1.5 In accordance with the *PSIAS* the definition of internal auditing is:

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

1.6 In addition the Chief Internal Auditor will provide an Annual Internal Audit Opinion, based on an objective assessment of the Authority's framework of governance, risk



management and control.

1.7 The Annual Internal Audit Opinion must incorporate:

- The Opinion;
- A summary of the work that supports the Opinion; and
- A statement on conformance with *PSIAS* and the results of the quality assurance and improvement programme.

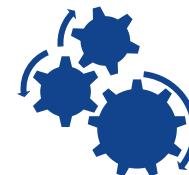
1.8 An annual self-assessment is carried out, as part of *PSIAS*. In 2023/24 Gosport Borough Council was due an external assessment. This was performed in March 2024 and the results of the assessment confirmed compliance with the standards while also noting multiple areas of best practice. Further details of the assessment are contained in section 11 of this report.

Statement of Organisational Independence

1.9 The Internal Audit Section has no operational responsibilities for any financial systems, including system development and installation.

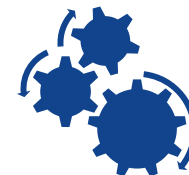
1.10 The Chief Internal Auditor is free from interference, although has due regard for the Authority's key objectives and risks and consults with Members and Officers charged with governance, when setting the priorities of the annual audit plan, for example, in determining the scope and objectives of work to be carried out and in performing the work and communicating the results of each audit assignment. There must be and is no compromise on the ability of Internal Audit to provide an independent assurance on the control framework.

1.11 The Internal Audit Section has free and unfettered access to the Section 151 Officer, Chief Executive, Monitoring Officer, the Leader of the Council, and the Chair of the Audit Committee which at Gosport Borough Council is the Standards and Audit Sub Board.



2. Annual Opinion for 2023/24

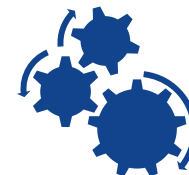
- 2.1** During 2023-24 Internal Audit completed 26 full audits, 2 follow ups and 3 consultancy reviews. In 2022-23 there were no 'No Assurance' rated areas; however, this year (2023-24) there is 1. The 'No Assurance' review relates to Fuel Cards and is detailed in the report below. During the financial year 2023-24, there has been an increase in the number of audits attributed with 'Limited Assurance' from 9 in 2022/23 to 12 in 2023/24. In addition, there has been a decrease in those achieving 'Assurance' from 11 in 2022/23 to 3 in 2023/24
- 2.2** The shift in assurance levels does not necessarily indicate a weakening internal control environment as a significant proportion of the audits rated as 'Limited Assurance' or 'No Assurance' were areas which had not been subject to audits in recent years so it cannot be said that controls are deteriorating. However, the indication could be that controls have been weak for a period of time and management have not identified and rectified this.
- 2.3** Multiple factors maybe influencing the impact on the internal control environment; namely changes in key personnel, which has occurred since 2022, reduced capacity, recruitment challenges and increased workload. These combined could impact the level of oversight and management checks, coupled with this is the impinged ability to fully consider emerging risk factors.
- 2.4** In previous years the Council has not achieved a high level of completion with regards to the agreed actions which are set following the completion of an audit. This year 2023/24 the level of follow up audit was low due to a need for more Full Audit scopes to meet the ongoing risk needs of the council. For the two follow up audits that were completed, 38% of agreed actions were closed while the remaining 62% were in progress. While this was an improvement of 10% on the 2022/23 figures, the level is not sufficient to demonstrate that the organisation is adequately taking action on all risks identified as part of audits.
- 2.5** Overall the council is positive towards the internal audit service and engage fully with the process, this is a key indicator when evaluating good governance. The concerns relating to the increase in 'Limited Assurance' audits will be closely monitored and responded to during the progress reports throughout the year. Overall, 53% of Audits completed in 2023/24 achieved a level of Assurance or Reasonable Assurance.



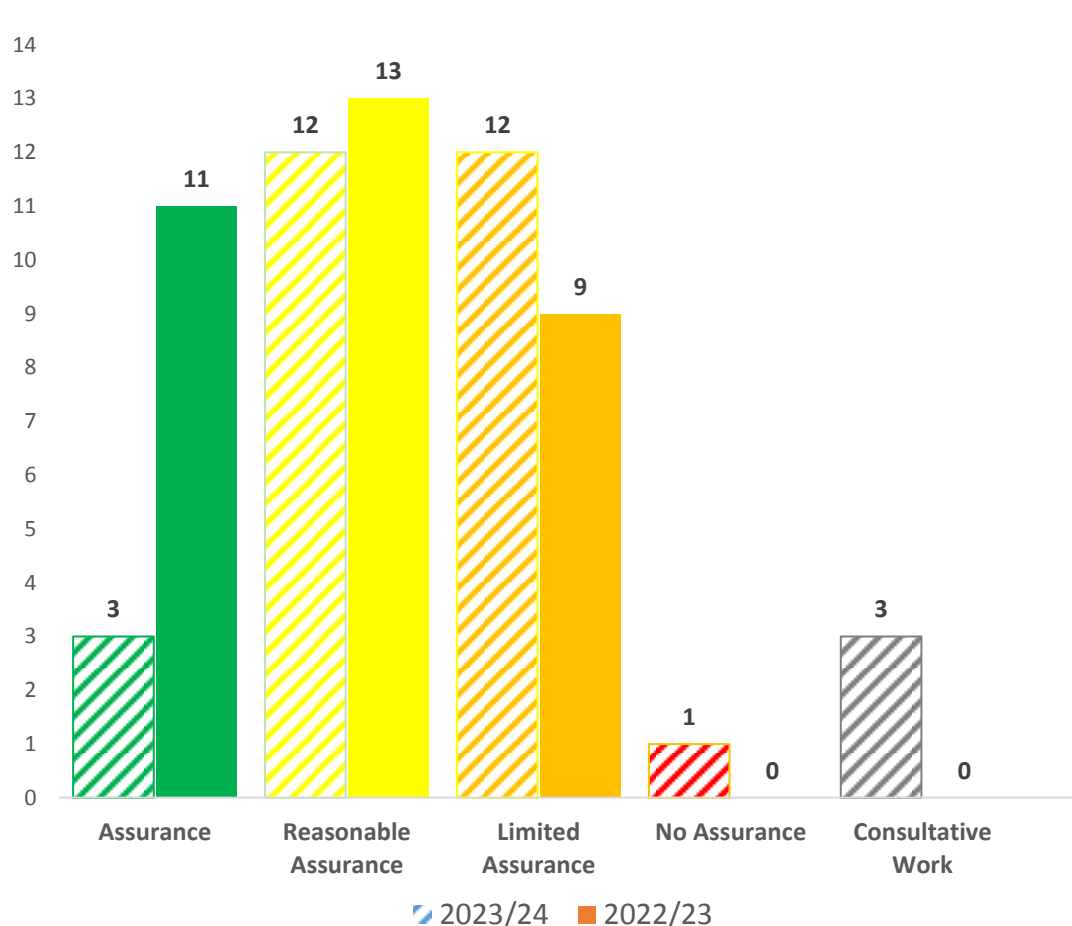
- 2.6** Four audit opinion levels are in place, and these are: no assurance, limited assurance, reasonable assurance and full assurance. Where there are mainly medium or low risk exceptions the annual audit opinion would be reasonable or full assurance. Based on the above results and narrative, the annual audit opinion for 2023/24 remains at Reasonable Assurance, while noting that there has been a decline in results from the previous year. Should this decline continue and agreed action rates remain low, a negative shift in the assurance level would be expected for 2024/25.



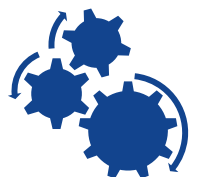
- 2.7** Any significant corporate weaknesses and agreed actions are reflected in the Annual Governance Statement. The impact of the Internal Audit work for 2023/24 may affect that year's work for External Audit. It may also inform their work for 2024/25 and where they consider there are weaknesses in control that could materially affect the accounts, they may need to carry out further work to gain the necessary audit assurance required for a true and fair view of the financial position and compliance with professional codes of practice.



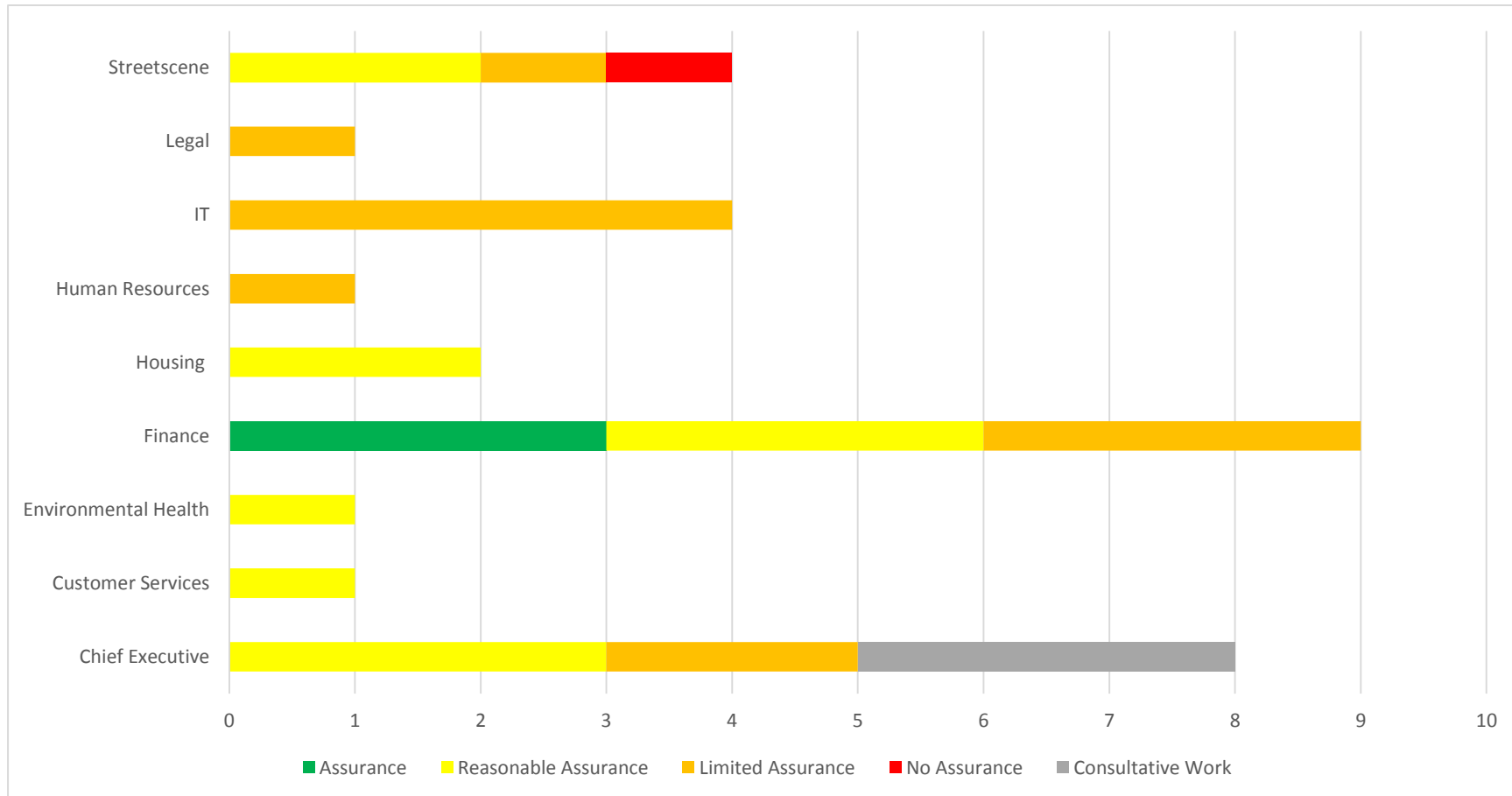
3. Comparative 2022/23 & 2023/24 Audit Assurance Levels

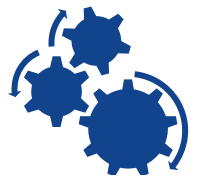


	2023/24	2022/23
Assurance	3	11
Reasonable Assurance	12	13
Limited Assurance	12	9
No Assurance	1	0
Consultative Work	3	0
TOTAL	31	33

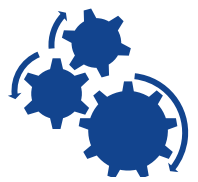


4. 2023/24 Audit Assurance by Section

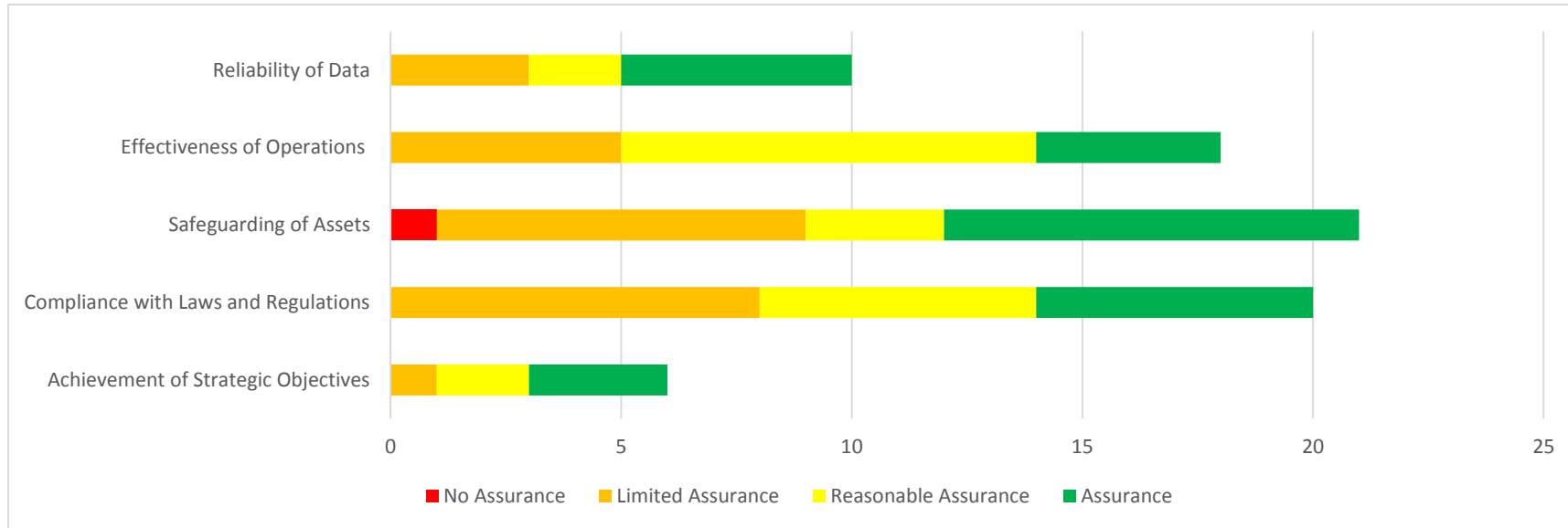




	Assurance	Reasonable Assurance	Limited Assurance	No Assurance	Consultative Work	TOTAL
Chief Executive	0	3	2	0	3	7
Customer Services	0	1	0	0	0	1
Environmental Health	0	1	0	0	0	1
Finance	3	3	3	0	0	9
Housing	0	2	0	0	0	2
Human Resources	0	0	1	0	0	1
IT	0	0	4	0	0	4
Legal	0	0	1	0	0	1
Streetscene	0	2	1	1	0	4
TOTAL	3	12	12	1	3	31

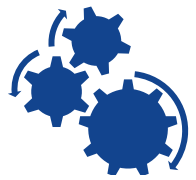


5. 2023/24 Assurance Analysis by Risk Classification

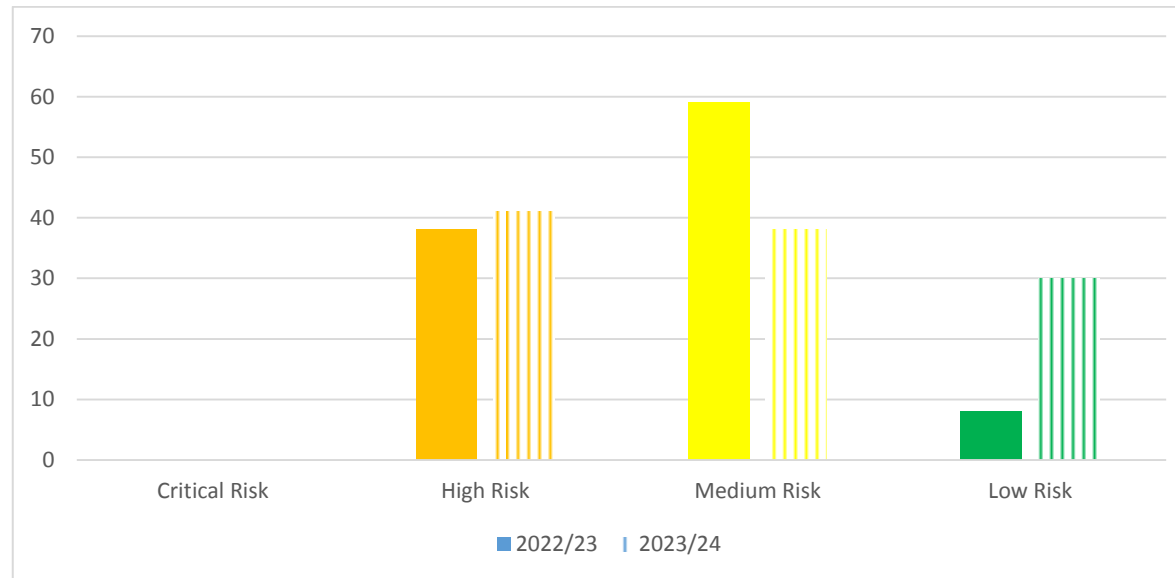


	No Assurance	Limited Assurance	Reasonable Assurance	Assurance	TOTAL
Achievement of Strategic Objectives	0	1	2	3	6
Compliance with Laws and Regulations	0	8	6	6	20
Safeguarding of Assets	1	8	3	9	21
Effectiveness of Operations	0	5	9	4	18
Reliability of Data	0	3	2	5	10
TOTAL	1	25	22	27	75

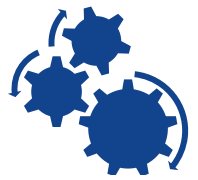
Note: not all audits assess all risk classifications; information on this page is limited to where audits assign an assurance rating to a risk classification.



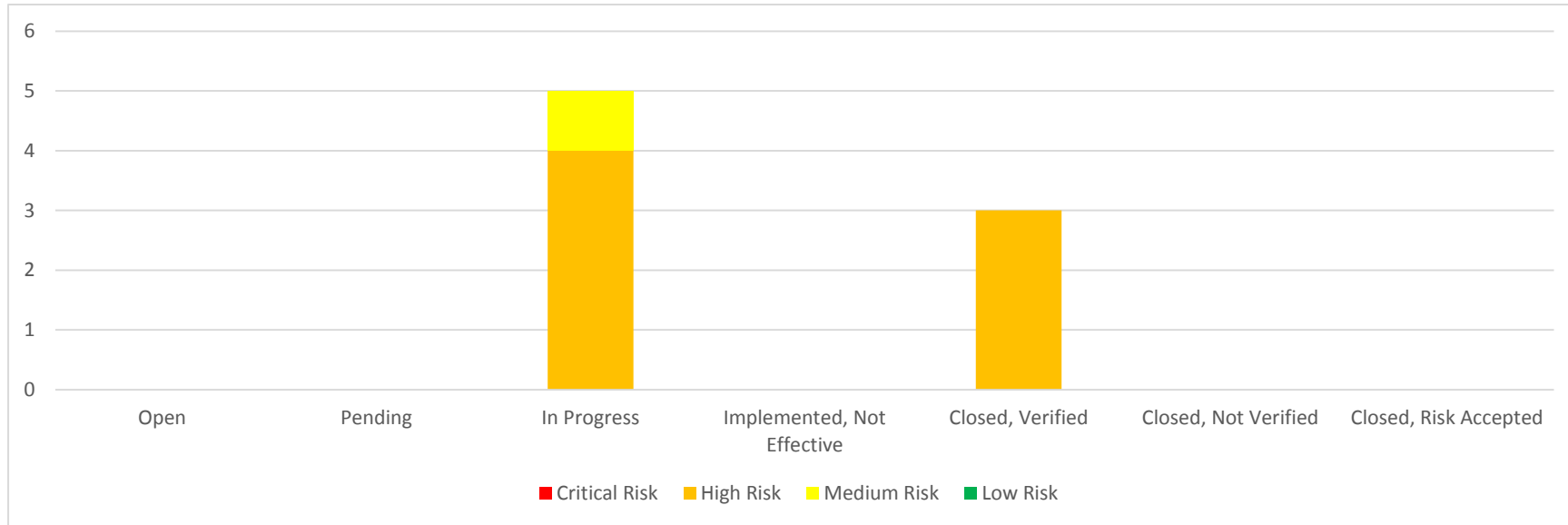
6. Comparative 2022/23 & 2023/24 Exception Risk Rankings

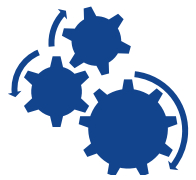


	2022/23	2023/24
Critical Risk	0	0
High Risk	38	41
Medium Risk	59	38
Low Risk	8	30
TOTAL	105	109



7. 2023/24 Follow Up Analysis





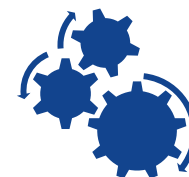
	Open	Pending	In Progress	Implemented, Not Effective	Closed, Verified	Closed, Not Verified	Closed, Risk Accepted	TOTAL
Critical Risk	0	0	0	0	0	0	0	0
High Risk	0	0	4	0	3	0	0	7
Medium Risk	0	0	1	0	0	0	0	1
Low Risk	0	0	0	0	0	0	0	0
TOTAL	0	0	5	0	3	0	0	8

Internal Audit follows up exceptions where at least one high risk exception has been raised. Exceptions 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 three months due to the potential severity of the risks identified. The overall position of the exceptions followed up in 2023/24 show that 38% have been closed which is an improvement from the 2022/23 year by 10%, however it is noted that the sample size for 2023/24 is significantly smaller due to more Full Audits occurring in this financial year.

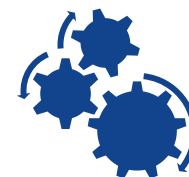
8. Audits Completed 2023/24 Summary

2023/24 Full Audit Summary

Audit	Directorate	Audit Type	Assurance Level	Status
AGS	Chief Executive	Additional Work	N/A	Issued
Risk Management	Chief Executive	Additional Work	N/A	Issued
Time Recording Tensor	Chief Executive	Full	Limited Assurance	Issued
Emergency Planning	Chief Executive	Full	Reasonable Assurance	Issued



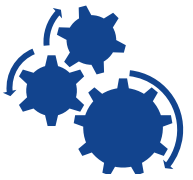
Contract Management - KPI's	Chief Executive	Full	Limited Assurance	Issued
Transparency Code	Chief Executive	Full	Reasonable Assurance	Issued
Project Management Corporate	Chief Executive	Full	Reasonable Assurance	Issued
Customer Services Reception Call Centre	Customer Services	Full	Reasonable Assurance	Issued
Environmental Health Food Safety	Environmental Health	Full	Reasonable Assurance	Issued
Payroll & Expenses	Finance	Full	Reasonable Assurance	Issued
Budget Monitoring	Finance	Full	Reasonable Assurance	Issued
Accounts Receivable	Finance	Full	Assurance	Issued
Bank Reconciliation	Finance	Full	Assurance	Issued
Treasury Management	Finance	Full	Assurance	Issued
Purchase Cards	Finance	Full	Limited Assurance	Issued
Council Tax and NNDR	Finance	Full	Limited Assurance	Issued
Procurement	Finance	Full	Reasonable Assurance	Issued
Accounts Payable	Finance	Full	Limited Assurance	Issued
Facilities Management Town Hall Security	Housing	Consultancy	N/A	Issued

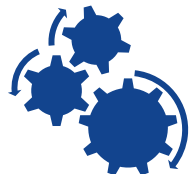


Housing Waiting List	Housing	Full	Reasonable Assurance	Issued
Health & Safety	Human Resources	Full	Limited Assurance	Issued
IT Disaster Recovery	IT	Full	Limited Assurance	Issued
License Management	IT	Full	Limited Assurance	Issued
IT Acquisitions & Procurement	IT	Full	Limited Assurance	Issued
IT Help Desk	IT	Full	Limited Assurance	Issued
Information Asset Register / GDPR	Legal	Full	Limited Assurance	Issued
Leisure Centre - Profit Share	Streetscene	Full	Limited Assurance	Issued
Parking	Streetscene	Full	Reasonable Assurance	Issued
Fuel Cards	Streetscene	Full	No Assurance	Issued

2023/24 Follow Up Summary

Audit	Directorate	Audit Type	Original Assurance Level	Follow Up Assurance Level
Depot	Streetscene	1st Follow up	Limited Assurance	Reasonable Assurance
Kier Contract	Housing	1st Follow up	Limited Assurance	Reasonable Assurance





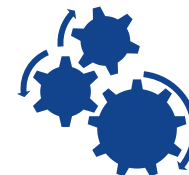
9. Data Analytics / Continuous Auditing

9.1 IDEA data analytics was used extensively throughout the 2023/24 financial year in order to aid Internal Audit & Counter Fraud in using resources efficiently. These include:

- Continuous Auditing
- Audit Testing
- Audit Sampling
- Fraud Testing
- Data Analysis

9.2 Across all audits, including external clients, IDEA is considered and where appropriate utilised for random & stratified sampling. Examples of where IDEA was used include:

- Purchase Cards - To highlight (Split transactions / transactions over the limit / and transactions non-compliant with the purchasing cards policy)
- Payroll - Analytic review on employee data
- Multiple PDF reports converted to excel
- Random Sampling

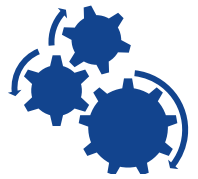


10. Quality Assurance

10.1 As part of the *Public Sector Internal Audit Standards* the Chief Internal Auditor is required to maintain a quality assurance and improvement programme (QA&IP) that covers all aspects of the internal audit activity. This QA&IP must include both internal and external assessments, which are detailed below under section 14.

In addition to this, quality and improvement requirements are assessed by means of:

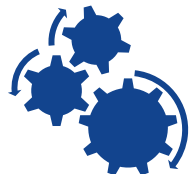
- Sign off by the Chief Internal Auditor of all key stages of an audit, for example the scope of work and level of testing to be performed, the conclusion of the work and opinion formed followed by a review of the draft and final reports.
- Weekly or bi-weekly 1:1s with all members of staff, within Internal Audit and colleagues who undertake Counter Fraud activities.
- Annual performance reviews of all staff, including the identification and provision of training. The majority of training needs are provided by a combination of external professional studies, supporting by in-house provisions and mentoring.
- All staff above Auditor level are required to undertake professional training or have achieved an education level of degree or above. For those that have completed professional studies as part of their professional body membership, must complete the required Continuous Professional Development.
- An annual skills gap analysis across the team, (this includes the wider team) to determine specific potential shortages or gaps. Whilst no major gaps are noted at present, historical gaps in areas such as IT auditing have been identified following the departure of employees (including retirement). Previous shortfalls have been addressed by specified recruitment, bespoke training or if required short term, by means of additional sign off/ mentoring of staff. Areas requiring improvement for this year's assessments are noted below, Skills Gap Analysis Results (10.2).
- All staff complete an annual declaration of interests including a nil return, to avoid any impingement on independence or conflict of interest.
- Feedback has been received during 2023/24 from key stakeholders, all feedback supported the quality assurance assessment reflecting that the service provided complies with *PSIAS* criteria.



Skills Gap Analysis for 2023/24 for wider Internal Audit Partnership

10.2 Essential Areas: where greater coverage of skills is needed moving forward:

- *Auditing, Specialist IT Auditing skills:* these are limited within the overall service (Partnership) with only two officers currently qualified. To address this shortfall, professional training will continue for a third officer and use will also be made of resources employed elsewhere under the various partnerships and shared service arrangements.
- *Counter Fraud skills:* whilst there are three officers qualified in Counter Fraud (CF) and investigative practice these resources are limited. There has been a significant increase in investigating across the partnership for counter fraud work, including grant related fraud prevention and assessment work, which has placed this area of the service under pressure.



11. Public Sector Internal Audit Standards

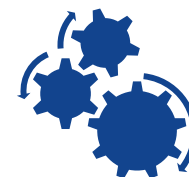
- 11.1** Under the *Public Sector Internal Audit Standards (PSIAS, the Standards) Standard 1310* requires that, as part of the quality assurance and improvement programme internal and external assessments (of conformance with the *PSIAS*) must be undertaken. *Standard 1311* allows for periodic self-assessments, which for Gosport Borough Council has been carried out each year since the standards were introduced. The results of the self-assessments have been communicated annually to this sub board.
- 11.2** *Standard 1312* requires that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Standards state that a qualified assessor demonstrates competence in two areas; the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. An independent assessor means not having an actual or perceived conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs.

An assessment of arrangements in place at Gosport Borough Council's Internal Audit & Counter Fraud Service was last carried out in 2018/19.

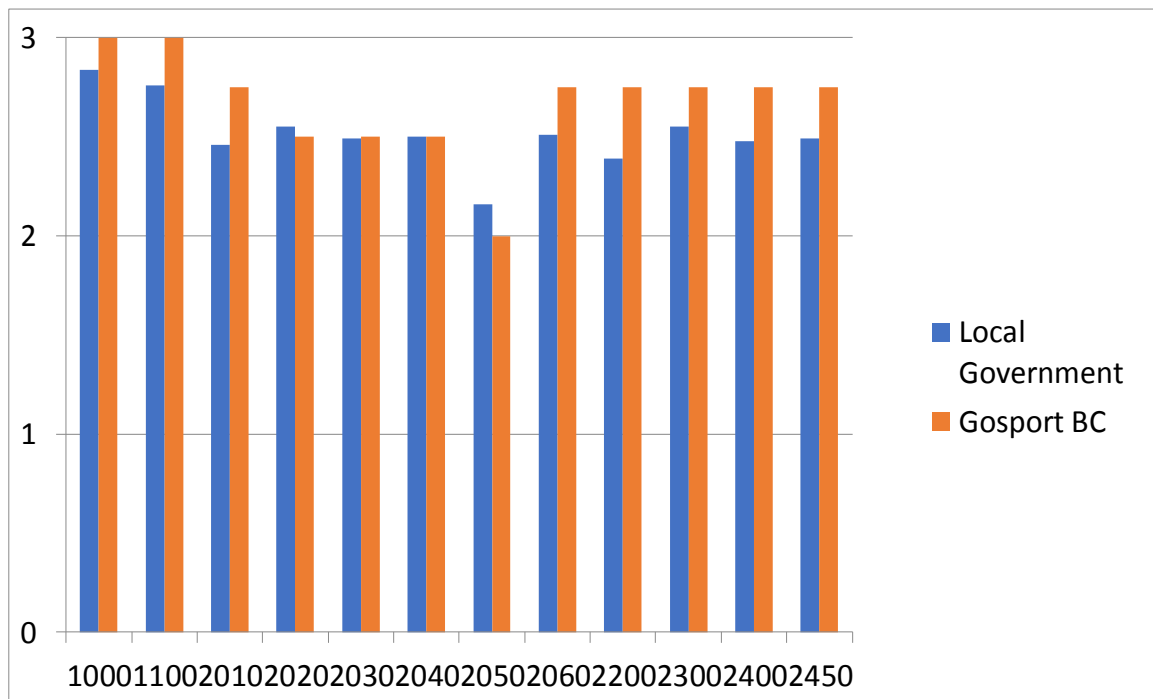
During 2023/24 an External Quality Assessment (EQA) was carried out of the Internal Audit Service, to comply with the Public Sector Internal Audit Standards (PSIAS) identified above. The EQA assessed the Service against key PSIAS standards, confirming:

- Appropriate strategic documentation and policies are in place.
- The Service is correctly managed and resourced (skill set).
- Audits are carried out, from scoping to finalisation, in line with good practice.

Overall Internal Audit achieved the highest rating possible, with no substantive issues identified with either the constitution or operation of the Service.



The assessment was grouped under 12 high level headings. An indicative assessment, against the wider local government sector, is provided below (Developing: 1, Established: 2, Excelling: 3):

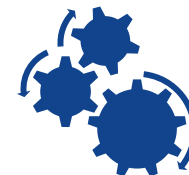


1000	Purpose, Authority and Responsibility
1100	Independence and Objectivity
2010	Planning
2020	Communication and approval
2030	Resource Management
2040	Policies
2050	Co-ordination
2060	Reporting
2200	Engagement planning
2300	Work programme
2400	Communicating results
2450	Overall opinions

As above Internal Audit is rated as 'established/ excelling', for all 12 areas of the assessment.

While no substantive gaps were identified against the PSIAS, a number of recommendations were made to enable the Service 'to better reflect the application of the PSIAS' and its proposed direction, which is currently out for consultation. These are summarised below:

- *Audit Universe*: increase alignment of auditable units with the Council's risk management process.

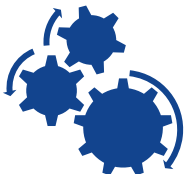


- This is currently performed at a strategic level with each auditable area aligned to the corporate risks. Operational risks are discussed with Section Heads; however, amendments have been made to the Audit Planning Memorandum (APM) to explicitly reflect this.
- *Governance*: formalise mapping of Internal Audit activity, to the Council's Code of Governance/Annual Governance Statement.
 - Amendments have been made to the Internal Audit Charter to capture this.
- *Assurance Mapping*: enhance capture of wider sources of assurance in the planning of individual audit reviews.
 - Where applicable this is already reflected in the APM, i.e., that the scope excludes areas already covered either by IA or other relevant parties. Also see comment below under Annual Report.
- *Engagement Planning*: increase alignment of audit scopes, with the Council's operational risks.
 - See action taken under Audit Universe.
- *Grading of Recommendations*: align finding ratings with the Council's risk assessment framework.
 - These are discussed with relevant officers at the close of the audit and are presented as a narrative or risk and consequence, consideration to adopting scoring system will be explored in discussion with the s151 officer.
- *Annual Report*: more fully capture wider sources of assurance.
 - The annual audit opinion has been expanded to adequately reflect the sources of assurance consider when forming the overall opinion.
 - Internal Audit is progressing all of the enhancements summarised above. Implementation will commence during 2024/25, scheduled to be fully implemented by the end of the 2024/25 financial year.

11.3 The Code of Ethics (CoE) expected of internal auditors is embedded in the Public Sector Internal Audit Standards, covering four areas, Integrity, Objectivity, Confidentiality and Competency. The steps taken by Internal Audit to ensure compliance with the CoE are set out in the Internal Audit Charter, as part of the Quality Assurance and Improvement Programme (QAIP).

For 2023/24 the Chief Internal Auditor assesses Internal Audit as fully compliant with the CoE, as detailed below:

- Integrity is ensured through the recruitment process, with any issues addressed through disciplinary processes; no issues have materialised during 2023/24.
- Individual auditors update their register of interests annually. This is used to inform resourcing for individual audits, to confirm that these are



carried out objectively.

- The Internal Audit Manual and supporting processes/systems ensure that client information is treated in line with Council data protection requirements, maintaining confidentiality.

A workforce plan is maintained by the Chief Internal Auditor at the team level, with a combination of recruitment and training used to address any gaps. For individual audits only auditors with the requisite competency are used, for the area under review.