HAVANT BOROUGH COUNCIL PUBLIC SERVICE PLAZA CIVIC CENTRE ROAD HAVANT HAMPSHIRE P09 2AX



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GOVERNANCE, AUDIT AND FINANCE BOARD AGENDA

Membership: Councillor Kennett (Chairman)

Councillors P Bains, Briggs, Crellin, Hart, Rees, Robinson, Smith K and Wade

Meeting: Governance, Audit and Finance Board

Date: Monday 29 April 2019

Time: 5.00 pm

Venue: Hollybank Room, Public Service Plaza, Civic Centre Road,

Havant, Hants PO9 2AX

The business to be transacted is set out below:

Nick Leach Monitoring Officer

19 April 2019

Contact Officer: Mark Gregory 023 92446232

Email: mark.gregory@havant.gov.uk

1 Apologies

To receive apologies for absence.

2 Minutes 1 - 2

To confirm the minutes of the Governance and Audit Committee held on 5 February 2019.

- 3 Matters Arising
- 4 Declarations of Interest
- 5 Chairman's Report

Internal Audit

6	Intern	al Audit Progress Report 2018-19	3 - 18						
7	Internal Audit Annual Plan 2019-20								
8	Internal Audit Charter 2019-20								
Exter	nal Au	dit							
9	External Audit - Annual Plan 2018/19								
Monit	oring	Officer's Report							
10	Monitoring Officer's Report								
	To rec	eive verbal updates from the Monitoring Officer.							
Scrut	iny Fu	nctions							
11	Work	Programme 2018/19 - Progress Report	83 - 84						
12	Work	Programme 2019/20	85 - 92						
	(a)	To agree the work programme for 2019/20; and							
	(b)	To agree the project plan for the Community Infrastructure Spending/Section 106 Review.							

GENERAL INFORMATION

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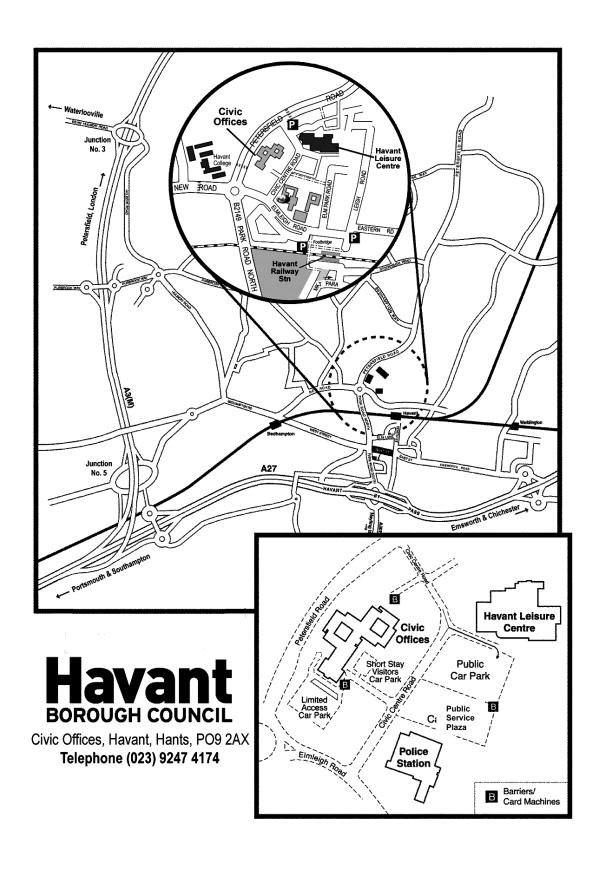
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Governance, Audit and Finance Board 5 February 2019

HAVANT BOROUGH COUNCIL

At a meeting of the Governance, Audit and Finance Board held on 5 February 2019

Present

Councillor Kennett (Chairman)

Councillors P Bains, Briggs, Crellin, Hart, Rees, Robinson and Wade

Other Councillors Present:

Councillor: Pike

46 Apologies

Apologies for absence were received from Councillors Shimbart and Smith.

47 Declarations of Interest

Councillor Briggs declared a pecuniary interest in that part of the Budget Panel's Report (Minute 48) relating to Norse SE as he was Director of that Joint Venture Company.

48 Chairman's Report

The Chairman had nothing to report.

49 Budget 2019/20

The Deputy Leader of the Council was invited to take part in the Board's discussions and answer questions raised by the members of the Board.

The Budget Scrutiny Panel's Budget Scrutiny 2018/19 Report

The Scrutiny Board considered a report from the Budget Scrutiny and Policy Development Panel, setting out its findings and recommendations following a scrutiny of the 2018/19 budget.

The Board endorsed the recommendations of the Panel.

Draft Proposals for the Revenue, Capital Budget and Business Plans 2019/20 and Medium Term Financial Strategy to 2023/24

The Board was also given an opportunity to consider and comment upon the draft budget proposals.

The Board endorsed the recommendations set out in Agenda Item 5 (Revenue, Capital Budget and Business Plans 2019/20 and Medium Term Financial Strategy to 2023/24) subject to the budget being amended to accommodate the Panel's recommendations relating bublication of Serving You.

RESOLVED that:

- (a) that the Cabinet be recommended to adopt the recommendations of the Budget Scrutiny Panel; and
- (b) a trend analysis of staffing costs as a proportion of the Council's overall annual budget over the past five years be submitted for scrutiny by the Budget Scrutiny Panel.

The meeting commenced at 5.00 pm and concluded at 5.35 pm

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD 03 April 2019

INTERNAL AUDIT PROGRESS REPORT 2018-19 (March 2019)
Deputy Head of the Southern Internal Audit ITEM NO
Partnership

FOR DECISION

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance, Audit and Finance Board with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2.0 Recommendation

2.1 That the Governance, Audit and Finance Board note the Internal Audit Progress Report (March 2019) as attached.

3.0 Summary

- **3.1** Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 3.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Governance, Audit and Finance Board summarising:

'communications on the internal audit activity's performance relative to its plan.'

3.3 Appendix 1 summarises the performance of Internal Audit for 2018-19.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 21 February 2019.

Appendices:

Appendix 1 – Internal Audit Progress Report 2018-19

Agreed and signed off by: Legal Services: Lydia Morrison Finance: Lydia Morrison

Contact Officer: Antony Harvey

Job Title: Deputy Head of the Southern Internal Audit Partnership

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Internal Audit Progress Report

March 2019

Havant Borough Council



Southern Internal Audit Partnership



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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body 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.'

The standards for 'proper practices' are laid down in the Public Sector Internal Audit Standards [the Standards - updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations 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'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.



2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to 'Senior Management' and 'the Board', summarising:

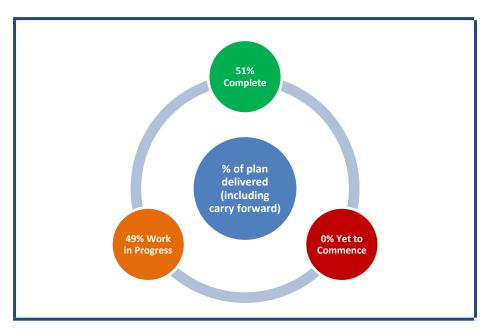
- The status of 'live' internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor's annual opinion.

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 of the service area under review. Assurance opinions are categorised as follows:

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives



3. Performance dashboard





Compliance with Public Sector Internal Audit Standards / Local Government Application Note



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to <u>all</u> of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.



4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')						
				Reported	Not Accepted	Pending	Cleared	Overdue		
Information Governance	26/04/17	HoPRQ	Limited	19 (7)	0 (0)	4 (0)	15 (7)	0 (0)		
Developers Obligations and Contributions / Community Infrastructure Levy (CIL)	15/06/17	НоР	Adequate	9 (5)	0 (0)	2 (0)	7 (5)	0 (0)		
Proactive Fraud Initiatives (Mobile Devices)	12/12/17	HoPRQ	Adequate	6 (0)	0 (0)	1 (0)	5 (0)	0 (0)		
*NNDR	08/01/18	HoCS	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)		
Norse South East – Governance Arrangements	24/07/18	HoSC	Adequate	9 (0)	0 (0)	3 (0)	6 (0)	0 (0)		
Norse South East – Emergency Planning Arrangements	24/07/18	HoSC	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)		
*Council Tax	25/09/18	HoCS	Adequate	5 (2)	0 (0)	0 (0)	5 (2)	0 (0)		
Traffic Management	25/01/19	HoNS	Adequate	6 (0)	0 (0)	6 (0)	0 (0)	0 (0)		
Risk Management	12/02/19	HoPRQ	Adequate	2 (2)	0 (0)	2 (2)	0 (0)	0 (0)		
Benefits	19/02/19	HoCS	Adequate	3 (2)	0 (0)	3 (2)	0 (0)	0 (0)		

^{*}denotes audits where all actions have been completed since the last progress report



Audit Sponsor	
Head of Organisational Development	HoOD
Head of Customer Services	HoCS
Chief Finance Officer	CFO
Head of Programmes, Redesign and Quality	HoPRQ
Head of Development	HoD
Head of Strategic Commissioning	HoSC
Head of Property Services	HoPS
Executive Director (Commercial)	ED (C)
Head of Planning	НоР
Executive Director (Operations and Place Shaping)	ED (OPS)
Head of Neighbourhood Support	HoNS

5. Executive Summaries of new reports published concluding a 'Limited' or 'No' assurance opinion

There are no new reports published concluding a 'Limited' or 'No' assurance opinion.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.18 – 28.02.19
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	3 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	18 days***
Total number of fraud cases investigated	0**

^{*}relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

^{***}relates to SIAP staff only and includes time spent on proactive fraud initiatives to identify or prevent potential fraud that may not result in a formal investigation or prosecution.



^{**}the definition of fraud is as set out by the Audit Commission in Protecting the Public Purse - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'

7. Planning & Resourcing

The internal audit plan for 2018-19 was discussed by the Executive Board on 22 February 2018 and approved by the Governance and Audit Committee on 14 March 2018.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8.

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✔ on schedule ᢇ Delay)	Comment
Carry Forward Reviews									
Human Resources	HoOD	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion
Payroll	CFO	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion
Council Tax	HoCS	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion
Norse South East – Governance Arrangements	HoSC	✓	✓	✓	√	✓	Adequate	✓	17/18 Opinion
Norse South East – Emergency Planning Arrangements	HoSC	✓	✓	✓	√	✓	Adequate	✓	17/18 Opinion
Norse South East – Assurance Mapping	HoSC	✓	✓	✓	n/a	✓	n/a	√	n/a



Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule & Delay)	Comment
2018-19 Reviews									
Corporate / Cross Cutting									
Contract Management Framework (CAPITA)	CRD	✓	✓	✓	√	✓	n/a	√	Position statement
Workforce Development (Fit for Future)	HoOD / HoCS	✓	✓	✓	√			✓	
Human Resources	HoOD	✓	✓	✓				✓	
Risk management	HoPRQ	✓	✓	✓	✓	✓	Adequate	✓	
Partnership Management (Horizon Leisure Trust)	HoSC	✓	✓	✓				✓	
Contract Management Arrangements	HoSC	✓	✓	✓				✓	
Procurement	HoSC	✓	✓	✓				✓	
Insurance	CFO	✓	✓	✓	✓	✓	Substantial	✓	



Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ﷺ Delay)	Comment
Corporate Governance									
Proactive Fraud Initiatives (Blue Badges)	CFO	✓	n/a	✓	n/a	n/a	n/a	√	
CIPFA Fraud Survey	CFO	✓	n/a	√	n/a	✓	n/a	✓	
National Fraud Initiative (NFI)	CFO	n/a	n/a	✓	n/a	✓	n/a	✓	
Information Governance	HoPRQ	✓	✓	✓				✓	
6 Council's Governance Framework (Follow-up)	HoSC	✓	√	✓	√	✓	n/a	✓	All actions agreed in 17/18 audit are now complete.
Financial Management									
Accounts Payable	CFO	✓	✓	✓				✓	
Accounts Receivable / Debt Management	CFO	✓	√	✓				✓	
Main Accounting	CFO	✓	✓	✓				✓	



Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ﷺ Delay)	Comment
Financial Planning / Budgetary Control	CFO	✓	✓	✓				✓	
Payroll	CFO	✓	✓	✓				✓	
Payroll / HR Data Migration	CFO / HoSC	✓	✓	✓	✓	✓	Substantial	✓	
Benefits	HoCS	✓	✓	✓	✓	✓	Adequate	✓	
Overtime and Expenses	CFO / HoOD	✓	✓	✓				✓	
De-Commissioning of Civica Financials	CFO	✓	✓	✓				✓	
Accounts Payable (Non-PO's)	CFO	✓	✓	✓	✓	✓	Substantial	✓	
Information Technology									
ICT provision	HoPRQ	✓	-	✓				✓	Advisory role
ICT Policies and Compliance	HoPRQ	✓						✓	
Corporate Objectives									
Land Charges	HoCS	✓	✓	✓				✓	
Private Sector Housing	HoHCE	✓	✓	✓				✓	



Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✔ on schedule Թ Delay)	Comment
Traffic Management	HoNS	✓	✓	✓	✓	✓	Adequate	✓	
Other									
VAWGF Grant Certification	HoNS	✓	n/a	✓	n/a	✓	n/a	✓	n/a review of grant conditions

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD

03 April 2019

INTERNAL AUDIT PLAN 2019-20
Deputy Head the of Southern Internal Audit
Partnership

ITEM NO

FOR DECISION

Key Decision: No

1.0 Purpose of Report

- **1.1** The purpose of this paper is to provide the Governance, Audit and Finance Board with the Internal Audit Plan 2019-20 (Appendix 1) for Havant Borough Council.
- 1.2 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:
 - The framework of internal control, risk management and governance is appropriate and operating effectively; and
 - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2.0 Recommendation

2.1 That the Governance, Audit and Finance Board approve the Internal Audit Plan 2019-20.

3.0 Summary

- 3.1 The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
- To ensure the Internal Audit Plan is aligned to the needs of the Council, the plan has been developed following consultation with the Executive Board and Heads of Service. A review of key documents including the Corporate Strategy and Corporate Risk Register, and our understanding of the

organisation and key priorities for 2019-20, have underpinned the development of the plan.

- 3.3 The Internal Audit Plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council.
- 3.4 The Council's 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Management Team.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 21 February 2019.

Appendices:

Appendix 1 – Internal Audit Plan 2019-20

Agreed and signed off by: Legal Services: Lydia Morrison

Finance: Lydia Morrison

Contact Officer: Antony Harvey

Job Title: Deputy Head of the Southern Internal Audit Partnership

Telephone: 01962 845701

E-Mail: antony.harvey@hants.gov.uk



Internal Audit Plan

2019-20

Havant Borough Council



Southern Internal Audit Partnership



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Introduction

The role of internal audit is that of 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'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business, activities, activities, activities or processes under review that:

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- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant Heads of Service and Executive Board, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Antony Harvey, Deputy Head of the Southern Internal Audit Partnership, supported Amanda Chalmers, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

Hard-considering all sources of evidence the external assessment team concluded:

is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. **This performance is within the top**SIAP.

There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, which are required to be disclosed under internal auditing standards.

Council Vision

The 'Corporate Strategy' outlines Havant Borough Council's mission – 'to support and encourage Team Havant to be innovative and creative in the design and delivery of exceptional frontline services'. The strategy contains the Council's values, priorities and outcomes to be achieved by 2026.

The priorities outlined within the strategy are:-

- Ensuring that the Council is financially sustainable
- Understanding the future needs of our residents, businesses and visitors and designing our services to meet those needs
- Demonstrating strong leadership in the council and throughout our communities
- Supporting our most vulnerable residents
- Identifying the key areas of the Borough where regeneration will have the greatest impact
- Stimulating the regeneration of the Borough to create a modern and attractive place to attract national and international businesses, supporting a vibrant economy with a broad range of job opportunities, diverse housing market and provides excellent leisure and retail facilities
- Ensuring that our services support a cohesive society and a high quality environment for future generations
- To deliver the frontline services.

Council Risk

The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Developing the internal audit plan 2019/20

We have used various sources of information and discussed priorities for internal audit with the Executive Board, Head of Service and the Governance, Audit and Finance Board. Based on these conversations with key stakeholders, review of key corporate documents including the Council Strategy and Risk Register, and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year. The audit plan reflects the Council's vision and strategies for example its strategy to commission services, with several audits specifically linked to the 6-Council's Corporate Services Contract, the arrangements with Norse South East and contract management.



The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan 2019/20

Audit	Scope / Risk
Corporate / Cross Cutting	
Business Continuity Planning / Disaster Recovery	Review corporate and service business continuity / disaster recovery plans ensuring they are complete, current and have been tested so the Council is prepared to respond to emergencies and continue delivering services following a critical event.
Human Resources	Review of HR activities over a three year cycle to include:- Absence management Recruitment Training & Development Workforce Development Volunteers
Performance Management	Review framework for recording, monitoring and reporting performance of the delivery of strategic objectives.
Project / Programme Management	Review of project management framework and compliance with approved protocols for the delivery of projects on time, within budget and to the required standard.
Partnerships / Partnership Management	Governance and control framework to support the effective management of partnerships and delivery of partnership goals.
Health & Safety	Review that there is an effective H&S strategy in place, that is operating effectively with robust governance, accountability and issue resolution.
Contract Management Arrangements	Review management arrangements with contractors / third parties to ensure agreed outcomes are achieved and performance is in line with agreed standards.
Financial Stability	Review of medium-term financial strategy, budget setting / forecasting process to ensure the Council achieves a balanced budget and financial stability
	6

Assurance through excellence and innovation

Audit	Scope / Risk
Corporate Governance	
Corporate dovernance	
Fraud & Irregularity	Facilitation of National Fraud Initiative and completion of annual fraud survey.
Information Governance	Review of information governance – cyclical coverage over the audit cycle to include:
	Compliance with General Data Protection Regulation requirements
	Freedom of Information process and performance
	Records / document management including retention and secure disposal
Financial Management	
Lease Income *Income Collection and Banking	Review framework for lease agreements (new, renewals and reviews), including lease income collection processes.
*Income Collection and Banking	
*Accounts Payable	
*Accounts Receivable / Debt Management	 Cyclical coverage to meet external audit / regulatory requirements and management concerns.
*Reconciliations	Coverage in 2019-20 to review how processes have embedded since the introduction of Integra / Pay360.
*Treasury Management	
*Payroll	
Information Technology	
Computer Implementations (Acolaid)	Controls and processes around migrating from one provider to another, ensuring no loss of systems / data, and maintenance of ICT security and continuity.
*IT Security Governance	Review ICT security governance arrangements including user awareness of responsibilities for security of data and incident management.
	7



A	udit	Scope / Risk
*	IT Asset Management	Audit of processes to ensure the secure removal of data from assets which move away from HBC at end of life and assurance that the Council are only being charged for the assets they use.
*	IT Risk Management	Review how the Council obtain assurance from Capita that IT risks are being managed.
Co	orporate Objectives	
R	egeneration / Economic Development	Review of the governance framework supporting the achievement of the Council's Regeneration Policy.
N	lorse South East - Governance	Strategic governance review of the arrangements with Norse South East including performance frameworks
N	lorse South East – Transition / Mobilisation	Review of the transition and mobilisation of the provision of environmental services ensuring service levels are maintained
Page	nimal Welfare – Licensing	Review of licencing compliance with Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018 (effective from 1 October 2019).
က ယ	icensing	Assurance over safeguarding checks, income collection, the application process and monitoring.
	nvironmental Health	Review of enforcement of legislation (Environmental Protection Act) including robustness of fly-tipping prosecution process.
D	eveloper's Obligations / CIL	Review of controls and processes for developer's obligations / CIL including identification, collection and expenditure of contributions.
Fo	ood Safety	Review of annual return (Local Authority Enforcement Management Systems) – Food Hygiene Warnings.
0	other	
N	Management (Planning, liaison, reporting, audit committee, external audit, advice
To	otal days	380

^{*} Reviews related to the Six Council Partnership that will cover HBC and EHDC, which are included in both Council's audit plans.

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD

03 April 2019

INTERNAL AUDIT CHARTER 2019/20 Deputy Head of the Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Key Decision: No

1.0 Purpose of Report

- **1.1** The purpose of this paper is to provide the Governance, Audit and Finance Board with the Internal Audit Charter for 2019-20.
- 1.2 The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards [the Standards].

2.0 Recommendation

2.1 That the Governance, Audit and Finance Board approve the Internal Audit Charter for 2019-20.

3.0 Summary

- 3.1 With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the Standards).
- 3.2 Within the Standards there is a requirement for an Internal Audit Charter a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached at Appendix 1.
- 3.3 The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Governance, Audit and Finance Board'.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2015.

4.3 Strategy:

Internal audit plays a vital role in helping the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a.

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 21 February 2019.

Appendices:

Appendix 1 – Internal Audit Charter

Agreed and signed off by: Legal Services: Lydia Morrison Finance: Lydia Morrison

Contact Officer: Antony Harvey

Job Title: Deputy Head of the Southern Internal Audit Partnership

Telephone: 01962 845701

E-Mail: antony.harvey@hants.gov.uk



and innovation

Appendix 1

Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims 'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- o Is appropriately positioned and adequately resourced:
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- o Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).



Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

'independent, objective assurance and consulting activity designed to add value and improve an organisations 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'.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Havant Borough Council lies with the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Deputy Head of the Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the 'Mission', 'Core Principles', 'Definition of Internal Auditing', the 'Code of Ethics' and 'the Standards'.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Governance, Audit and Finance Board.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Executive Board.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Chief Finance Officer (S151 Officer) who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.



The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance, Audit and Finance Board).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (Chartered Member of the Institute of Internal Auditors - CMIIA, Consultative Committee of Accountancy Bodies - CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Chief Finance Officer (S151 Officer) will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and 'the Board' will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to *'Senior Management'* and *'the Board'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to 'Senior Management' and 'the Board'.

If the Chief Internal Auditor, 'the Board' or 'Senior Management' consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Chief Finance Officer (S151 Officer) accordingly.



Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- o retains no executive or operational responsibilities;
- o operates in a framework that allows unrestricted access to 'Senior Management' and 'the Board':
- o reports functionally to 'the Board';
- reports in their own name;
- o rotates responsibilities for audit assignments within the internal audit team;
- o completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the 'Mission', 'Core Principles', 'Definition of Internal Auditing', the 'Code of Ethics' and 'the Standards' and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the Council's laid down procedures.



Assurance through excellence

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the Southern Internal Audit Partnership. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations' success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor. The Chief Internal Auditor manages and controls all investigations and will ensure that investigators are fully trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with Human Resources and the department concerned. The decision on whether to invoke criminal proceedings will be made by the Chief Internal Auditor in conjunction with the Monitoring Officer.

The monitoring of the Council's Anti-Fraud Strategy will be the responsibility of the Chief Internal Auditor, as part of the monitoring of the annual internal audit plan.

Internal audit also facilitate the Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.



Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- o The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council it is imperative that the Executive Board are engaged in:

- o approving the internal audit charter (minimum annually);
- o approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- o making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- o receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- o approving the risk based internal audit plan;
- o approving the internal audit resource plan;
- o receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion:
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- o receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- o approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.



Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board' for approval.



Annex 1

Southern Internal Audit Partnership - Client Portfolio

Strategic Partner: Hampshire County Council

Key Stakeholder Partners: West Sussex County Council

Havant Borough Council

East Hampshire District Council

Winchester City Council
New Forest District Council
Mole Valley District Council
Epsom & Ewell Borough Council
Reigate & Banstead Borough Council

Tandridge District Council

Hampshire Fire & Rescue Authority
Office of the Hampshire Police & Crime
Commissioner / Hampshire Constabulary
Office of the Sussex Police & Crime
Commissioner / Sussex Police Force
Office of the Surrey Police & Crime
Commissioner / Surrey Police Force

External clients: Waverley Borough Council

Hampshire Pension Fund West Sussex Pension Fund

New Forest National Park Authority

Higher Education Institutions

University of Winchester

Further Education Institutions

Eastleigh; Highbury;

Isle of Wight College;

Itchen; and Portsmouth.

Third Sector

VTCT



and innovation

Annex 2

Assurance Services

- Risk based audit: in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- O Developing systems audit: in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- o **Compliance audit**: in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- Quality assurance review: in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- Fraud and irregularity investigations: Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- Advisory / Consultancy services: in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.











Havant Borough Council Public Service Plaza Civic Centre Road Havant PO9 2AX

Dear Governance, Audit and Finance Board Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Governance, Audit and Finance Board with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Governance, Audit and Finance Board and management, and is not intended to be and should not be used by anyone other than these specified parties.

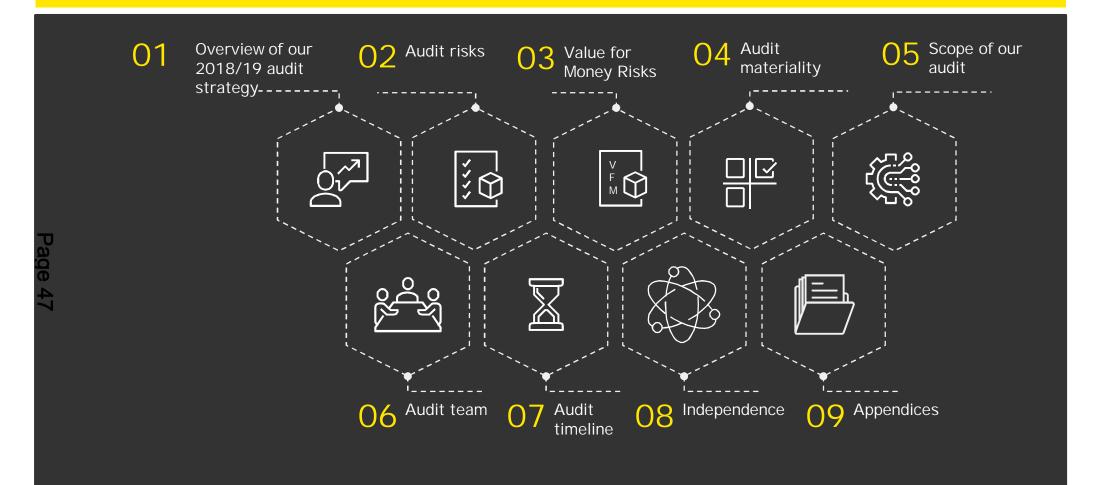
We welcome the opportunity to discuss this report with you on 6 March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Governance, Audit and Finance Board and management of Havant Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Audit and Finance Board, and management of Havant Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Audit and Finance Board and management of Havant Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





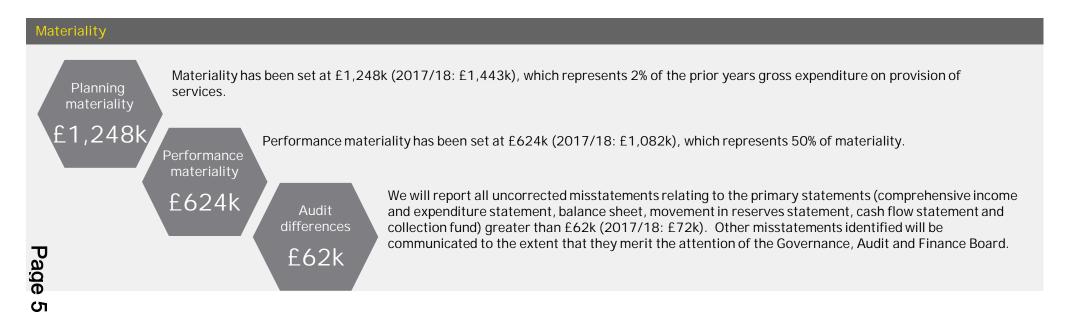
Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance, Audit and Finance Board with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus				
Risk / area of focus	Risk identified	Change from PY	Details	
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk. Refined audit focus.	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Our judgement is the significant risk at the Council relates to the improper capitalisation of revenue expenditure.	
P S G e nsion Liability Valuation 4 9	Other financial statement risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	
Valuation of Land and Buildings	Other financial statement risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	
NDR appeals provision	Other financial statement risk	New risk identified this year.	The Council's provision methodology in the prior year audit did not take into account an assessment of the likelihood of appeals to the 2017 valuation listing.	
New Accounting Standards	Other financial statement risk	New risk identified this year.	Two new accounting standards apply from 1 April 2018 - IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts). We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Council.	



Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- § Our audit opinion on whether the financial statements of Havant Borough Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- § Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

hen planning the audit we take into account several key inputs:

Strategic, operational and financial risks relevant to the financial statements;

Developments in financial reporting and auditing standards;

The quality of systems and processes;

- § Changes in the business and regulatory environment; and,
- § Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Audit team changes

Key changes to our team.



Kevin Suter, Partner in Charge

- Ø Kevin takes over from Andrew Brittain as the Engagement Lead.
- Ø Kevin has significant public sector audit experience of over 20 years, with a portfolio of Local Authorities, Local Government Pension Fund and National Park Authority audits.



Audit risks

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue recognition, including the risk of management override

Financial statement impact

Pa

relation to the risk of fraud in revenue and expenditure recognition could affect the completeness of expenditure accounts. We are focusing our testing on capital additions.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

The manipulation of capitalising expenditure could occur through management override of controls.

What will we do?

Our approach will focus on:

- ► For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16.
- ▶ Journals testing we will use our testing of journals to identify transactions moved from revenue to capital.

To further respond to the risk of management override we will undertake procedures required on all audits to:

- ► Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ► Review accounting estimates for evidence of management bias.
- ▶ Evaluate the business rationale for significant unusual transactions

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

The Council's pension fund deficit is a material estimated disalance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled 919,183k.

to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What will we do?

We will:

- Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire County Council.
- Assess the work of the Pension Fund actuary (AON Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; and
- Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

NNDR Appeals Provision

The Non Domestic Rates Appeals Provision calculation requires a number of assumptions and judgements and in previous years we have identified errors above our audit differences threshold.

FRS 9 Financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

What will we do?

We will:

- · Review the calculation of the provision for accuracy.
- Consider the work performed by the Council and understand the assumptions used in their calculation and confirm that it takes into account an assessment of the likelihood of appeals to the 2017 valuation listing.
- Perform post year-end review of appeals settled to determine whether the revised rateable value and effective date of the appeal are in line with the provision.
- Ensure the Council has amended the provision for any Business Rate reliefs awarded.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider the classification and valuation of financial instrument assets;
- Review new expected credit loss model impairment calculations for assets; and
- Check additional disclosure requirements.



Other areas of audit focus (continued)

What is the risk/area of focus?

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides uidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be pecognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What will we do?

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. This will include Local Authority Trading Companies consolidated into the Authority's Group Accounts:
- Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Check additional disclosure requirements.



Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

Take informed decisions:

Deploy resources in a sustainable manner; and
Work with partners and other third parties.

Considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At the time of our planning, this has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.



Value for Money Risks

Contract sustai	oloy resources in a tainable manner/ Work with tners and other third parties	Our approach will focus on: ▶ understanding the revised Five Council's
Contracts with Capita (Lot 1) and Vinci (Lot 2), as part of the Five Councils Partnership arrangements. The services split into two lots; data-based services (Lot 1) and property based services (Lot 2). These contracts started in 2017/18 at Havant Borough Council and were signed to generate significant savings for the five Councils across their feitime of nine years. The Councils have since renegotiated Lot 1 and ferminated Lot 2 due to issues with the way the contracts were constructed and the implications for the practical implementation thereof and have also vised savings targets. A new Inter-Authority Agreement is being put in place which outlines the revised governance and cost sharing arrangements between the Five Councils. In addition, there have been a number of issues noted during implementation of the services across the Five Councils. This has led to remedial action being taken including: appointing a remedial adviser to review the service provision in some areas, for example, HR and IT, and recommend actions to remedy the causes of failure; potentially bringing HR services back in house if remedial actions does not remedy the failures; and implementing additional management checks, for example, on payroll runs. Given the significant changes to the contracts and there is a risk that both the services and financial performance of the Councils could be negatively impacted if renegotiated changes are difficult to implement or do not deliver the intended benefits.		Partnership Inter-Authority Agreement and the financial impact on Havant Borough Council; ▶ a review of the governance process and contracted terms in place over both the revised corporate services contract, to ensure that all significant respects, the councils had proper arrangements to achieve sustainable outcomes; and ▶ reviewing the performance of the corporate service contract against KPI's to identify whether expected savings are being realised as well as good operational performance being maintained or improved.



Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1,248k. This represents 2% of the Group's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Governance, Audit and Finance Board confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £624k which represents 50% of planning materiality. We have established this as 50% due to:

- The level of misstatements in the prior period was high.
- As part of the Council's implementation of the new corporate services contract the finance function was transferred over to Capita and there was a significant turnover of key staff. The new accelerated deadline for the financial statements to be submitted by the end of May 2019 and audited by the end of July 2019 increases the pressure on the finance team.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance, Audit and Finance Board, or are important from a qualitative perspective.



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

rocedures required by standards

Addressing the risk of fraud and

Addressing the risk of fraud and error;

Significant disclosures included in the financial statements;

Entity-wide controls;

- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO
- 2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

Give greater likelihood of identifying errors than random sampling techniques.

we will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance, Audit and Finance Board.

Internal audit:

We will regularly meet with Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July. These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. As part of the Council's implementation of the new corporate services contract the finance function was transferred over to Capita and there was a significant turnover of key staff. The new accelerated deadline for the financial statements to be submitted by the end of May 2019 and audited by the end of July 2019 increases the pressure on the finance team.]
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

good quality draft financial statements and supporting working papers by the agreed deadline; appropriate Council staff to be available throughout the agreed audit period; and complete and prompt responses to audit questions.

You are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2018/19 financial year.
- Work with the Council to improve the use of EY Client Portal, this will:
 - Streamline our audit requests through a reduction of emails and improved means of communication;
 - Provide on -demand visibility into the status of audit requests and the overall audit status;
 - Reduce risk of duplicate requests; and
 - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components: A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components: The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

HBC A Full scope audit NSE B Review scope audit

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. The audit of Havant Borough Council's (HBC) accounts are full scope.

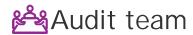
Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally. The audit of North South East's (NSE) accounts are review scope. NSE was Full scope in the prior year. It has been assessed as Review scope in the current year due to the materiality in relation to the group and we have audited this component as Full scope in prior years with no material misstatements identified.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of component teams. We have listed our planned involvement below.

Review scope - Norse South East	Review of group wide entity controls over NSE, including the level of CFO and other group management oversight	
	Performance of analytical review procedures	





Audit team Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular and a. For example, we would typically perform the following procedures:

Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;

- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





X Audit timeline

Timetable of communication and deliverables

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Governance, Audit and Finance Board and we will discuss them with the Governance Audit and Finance Roard Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary

Governance, Audit and Finance Board Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.			
Audit phase	Timetable	Audit committee timetable	Deliverables
Planning:	November		
Walkthrough of key systems and processes	December		
	January		
controls	February	Governance, Audit and Finance Board	Audit Planning Report
interim audit testing	March		
	April		
	May		
Year end audit	June		
Audit Completion procedures	July	Governance, Audit and Finance Board	Audit Results Report Audit opinions and completion certificates
	August		
	Autumn	Governance, Audit and Finance Board	Annual Audit Letter
	Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes Testing of routine processes and controls Interim audit testing Year end audit	Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes January Testing of routine processes and controls Interim audit testing March April May Year end audit Audit Completion procedures Timetable November November December December February February March April May June July August	Audit phase Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes December January February Governance, Audit and Finance Board March April May Year end audit Audit Completion procedures July Governance, Audit and Finance Board August Autumn Governance, Audit and Finance Board





Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;

Page

The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;

The overall assessment of threats and safeguards; Information about the general policies and process within EY to maintain objectivity and independence.

 Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed:
- Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

me of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with pur policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we have not undertaken any non-audit work. We plan to undertake the Housing Benefit Assurance Process, and the fee is less than the 70% limit.

delf interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. From 2018-19, the Council is responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance has now been published and the Council has appointed EY as its reporting accountant from 2018-19 for a period of one year, subject to the agreement of an engagement letter.

The specific testing of individual benefit claims and associated subsidy calculations undertaken in respect of this Agreed Upon Procedure (AUP) engagement is distinct and separate to any work we have or will undertake on the financial systems of the Authority. The results of the AUP testing is not reflected in the amounts included/disclosed in the financial statements.

In respect of the checking of benefit system parameters, this work is common across our external audit procedures and this AUP engagement. However, our external audit is concluded prior to this AUP engagement. Therefore the external audit conclusion is therefore not reliant upon the conclusion of our AUP engagement.

No advice will be given in relation to accounting treatment. The report we provide will be prepared or given solely for the purposes of the agreed upon procedures engagement described above and will not be used or relied upon for any other purposes.



Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2018

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018





Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£	£	£
Total Fee - Code work (1)	37,561	36,036	59,686
To al audit	37,561	36,036	59,686
ener non-audit services not covered above (Housing Benefits)	12,483	n/a	13,430
Total other non-audit services	TBC	n/a	13,430
Total fees	TBC	36,036	73,116

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables:
- ► Our accounts opinion and value for money conclusion being unqualified;
- ► Appropriate quality of documentation is provided by the Council: and
- ► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

All fees exclude VAT

Note:

- (1) Our 2018/19 Code work includes £1,525 for the group accounts work in respect of the joint venture with NSE. It also includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers. As at the date of our planning report the Council is yet to evidence their assessment of the impact of these standards, and so we cannot currently quantify the expected scale fee variation for these additional procedures. We will agree this with management, depending on the identified impact of the new standards and any additional fee is subject to agreement by the PSAA.
- (2) Our 2017/18 Housing Benefit Certification final fee includes £3,540 subject to approval by the PSAA.



We have detailed the communications that we must provide to the Governance, Audit and Finance Board		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Governance, Audit and Finance Board of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from Pe audit	 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Audit results report



		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Audit results report
Sisstatements O O O O O O O O O O O O O	 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	Audit results report
Fraud	 Enquiries of the Governance, Audit and Finance Board to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	Audit results report
Related parties	 Significant matters arising during the audit in connection with the entity's related parties including, when applicable: Non-disclosure by management Inappropriate authorisation and approval of transactions Disagreement over disclosures Non-compliance with laws and regulations Difficulty in identifying the party that ultimately controls the entity 	Audit results report



		Our Reporting to you
Required communications	What is reported?	When and where
Pagexternal confirmations	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: The principal threats Safeguards adopted and their effectiveness An overall assessment of threats and safeguards Information about the general policies and process within the firm to maintain objectivity and independence Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures	Audit Planning Report Audit Results Report Audit results report
Consideration of laws and regulations	 Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Governance, Audit and Finance Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Audit and Finance Board may be aware of 	Audit results report
Internal controls	Significant deficiencies in internal controls identified during the audit	Audit results report



		Our Reporting to you
Required communications	What is reported?	When and where
Group audits Page 80	 An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Planning Report Audit Results Report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	 Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. Reading other information contained in the financial statements, the Governance, Audit and Finance Board reporting appropriately addresses matters communicated by us to the Governance, Audit and Finance Board and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

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Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

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- The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

e amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the crownstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

GAF PROGRESS REPORT

LATE TASKS

Tasks that are past due.

Name Finish

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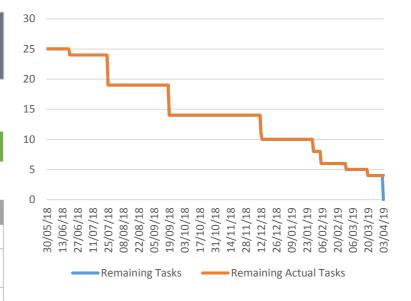
TASKS UP NEXT

Name	Finish
GAF - Internal Audit Plan & Fraud and Corruption Risk Plan	Wed 03/04/19
GAF - Internal Audit Report	Wed 03/04/19
GAF - Internal Audit Charter 2019-20	Wed 03/04/19
GAF - External Audit Plan	Wed 03/04/19

COMPLETED TASKS

Tasks that are 100% complete.

Name	Finish
GAF - Draft AGS	Wed 20/06/18
GAF Internal Audit Report & Opinion	Wed 25/07/18
GAF - Annual Governance Statement	Wed 25/07/18
GAF -External Audit Results Report 2016/17 and Local Government Audit Committee Briefing	Wed 25/07/18
GAF - Statement of Accounts and Letter of Representation 2016/17	Wed 25/07/18
GAF - Business Plan Review	Wed 25/07/18
GAF- Internal Audit progress Report	Wed 19/09/18
GAF - Update from CAPITA on NFI matches	Wed 19/09/18
GAF - 7/18 Annual Audit Letter	Wed 19/09/18
GAF - Consider Recommendations on Councillor Allowances Review	Wed 19/09/18
GAF - Business Plan Review	Wed 19/09/18
GAF - Business Plan Review	Wed 12/12/18
GAF - Internal Audit Progress Report	Thu 13/12/18
GAF - Cllr Dispensation Report	Wed 12/12/18
GAF - External Audit Certification of Claims & Returns Report	Wed 12/12/18
Budget Scrutiny Panel (BSP)- Final Report	Tue 29/01/19
Budget Seminar	Tue 29/01/19
GAF - Consider BSP Report	Tue 05/02/19
GAF - Budget Meeting	Tue 05/02/19
Finance Workshop For Cllrs	Wed 20/03/19
Council Budget Meeting	Thu 28/02/19



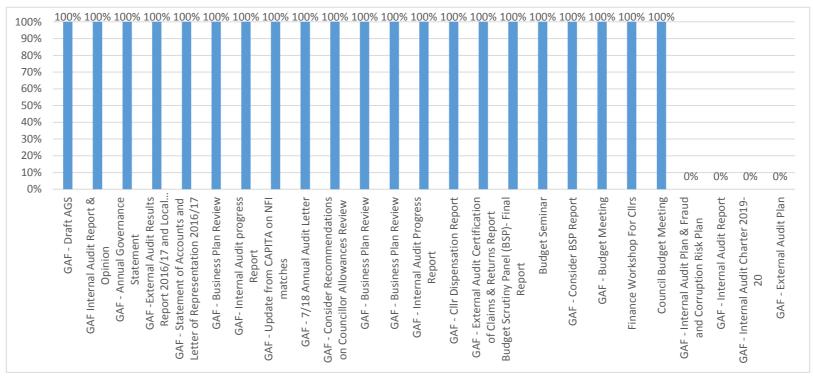
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Governance, Audit & Finance Board Business Plan 2018/19



% COMPLETE

Status for all top-level tasks. To see the status for subtasks, click on the chart and update the outline level in the Field List.



Tasks Due

Name	Cabinet Lead	Officers	Meeting Date
GAF - Internal Audit Plan & Fraud and Corruption Risk Plan	Councillor Pike	Lydia Morrison & Internal Auditors	Wed 03/04/19
GAF - Internal Audit Report	Councillor Pike	Lydia Morrison & Internal Auditors	Wed 03/04/19
GAF - Internal Audit Charter 2019-20	Councillor Pike	Lydia Morrison & Internal Auditors	Wed 03/04/19
GAF - External Audit Plan	Councillor Pike	Lydia Morrison & External Auditors	Wed 03/04/19

Agenda Item

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Review of the Community Infrastructure Levy (CIL)

SECTION ONE – Project Definition Form

Project Title	Review of the Community Infrastructure Levy (CIL)
Executive Summary – What will this review do?	To scrutinise the current CIL processes with a view to ensuring that communities and councillors are engaged in the making of funding decisions. The Panel/Board will seek to examine whether the CIL processes are: • transparent and easy to understand by Councillors and members of the public; • achieving the best financial outcomes for the borough with its current section 106/CIL agreements; • compliant with the Borough's priorities and needs via the Local Plan and Corporate Strategy; • flexible to ensure that communities and councillors are engaged in making funding decisions.
Link with the Corporate Strategy and Business Plans	It is hoped that this review will help support the Council's mission "to be bold and shape council services to ensure that the communities of Havant will be increasingly prosperous, vibrant and active. We are proud of the borough of Havant and will provide clear leadership and solutions to meet the challenges of economic uncertainty and customer demand".

¹ Corporate Strategy 2017-22

	Objective	How will we achieve this
Objectives	An evaluation of the Council's current and previous s106 and CIL policies and processes; this should include looking at: The Council's priorities and links to the borough plan and service plans; charging rates for s106 and CIL, different models of member and public engagement, and Lessons learnt and plans for the future An evaluation of the Council's current s106 and CIL policies, processes and performance in comparison with other local authorities	 Interviews with the appropriate Cabinet Lead and officers Interviews with a selected number of Councillors to gather their views and aspirations for CIL policies and processes An investigation into other Council processes, policies and performance and how other Councils engage members and public into the process Consideration of government and other guidance
	Engagement	Survey of all CouncillorsInterviews with a selected number of Councillors

The involvement of elected members in the decision-making processes for S106 and CIL funds Explore how the Council's residents can be more actively engaged in the scoping and planning process	Benchmarking exercise of other Councils in Hampshire Consideration of government and other guidance
Other Allowances	
To ascertain whether the current allowances are reasonable	 Survey of all Councillors Interviews with a selected number of Councillors Benchmarking exercise of other Councils in Hampshire Advice from Chief Finance Officer Consideration of government and other guidance Increases to staff salaries since the last review
Funding	
been enent and plane for	 Interviews with Cabinet Lead and officers Review of previous spending and current spending

SECTION TWO – Who Will Be Involved (Panel or Board?			
Project Team			
Scrutiny Panel/Board	Councillor		
Support Team			
Cabinet Lead	Councillor Turner		

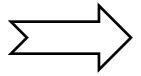
Witnesses to Interview

Who?	Why?	When?
Simon Jenkins, Director for Regeneration and Place	To provide advice on CIL/S106 policies and how they link with the Local Plan and Corporate Strategies	Throughout the Review
David Hayward, Planning Policy Manager	To provide advice on CIL/S106 policies and how they link with the Local Plan and Corporate Strategies	Throughout the Review
Louise Weaver, Community Infrastructure/Section 106 Officer	To provide advice on CIL/S106 policies and how they link with the Local Plan and Corporate Strategies	Throughout the Review

Evidence to Gather

Projected Start Date

6 August 2018



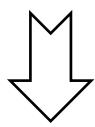
DRAFT SCRUTINY PROJECT PLAN

Projected Timescales for:

Evidence gathering – 6 August to 14 September 2018

Interviews- 11 September 2018

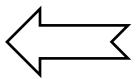
Evidence Analysis – September 2018



Dates for:

Report to Scrutiny Board – 19 September 2018

Report to Cabinet/Council – 26 September 2018



Project Report Deadlines

Draft Report Produced – 14 September 2018

Panel to Agree Final Report – 17 September 2018