

HAVANT BOROUGH COUNCIL
PUBLIC SERVICE PLAZA
CIVIC CENTRE ROAD
HAVANT
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Havant
BOROUGH COUNCIL

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GOVERNANCE, AUDIT AND FINANCE BOARD AGENDA

Membership: Councillor Kennett (Chairman)

Councillors P Bains, Crellin, Hart, Milne, Patel, Smith K, Thomas and Inkster

Meeting: Governance, Audit and Finance Board

Date: Wednesday 24 July 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:

David Brown
Monitoring Officer

16 July 2019

Contact Officer: Mark Gregory 023 92446232
Email: mark.gregory@havant.gov.uk

- | | Page |
|--|--------------|
| 1 Appointment of Chairman | |
| In the absence of the Chairman of the Board, the Board is ask to consider appointing a Chairman for the duration of the meeting. | |
| 2 Apologies | |
| To receive apologies for absence. | |
| 3 Minutes | 1 - 6 |
| To confirm the minutes of the Governance and Audit Committee held on 12 June and 2 July 2019. | |
| 4 Matters Arising | |

5	Declarations of Interest	
6	Chairman's Report	
7	Appointment of Co-opted Members	
	To consider the appointment of Councillor Carpenter as a co-opted member of the Board.	
8	Annual Governance Statement	7 - 28
9	Annual Internal Audit Report and Opinion 2018-19	29 - 42
10	External Audit Results Report 2018/19 and Local Government Audit Committee Briefing	To Follow
	To follow	
11	Statement of Accounts and Letter of Representation 2018/19	To Follow
	To follow	

GENERAL INFORMATION

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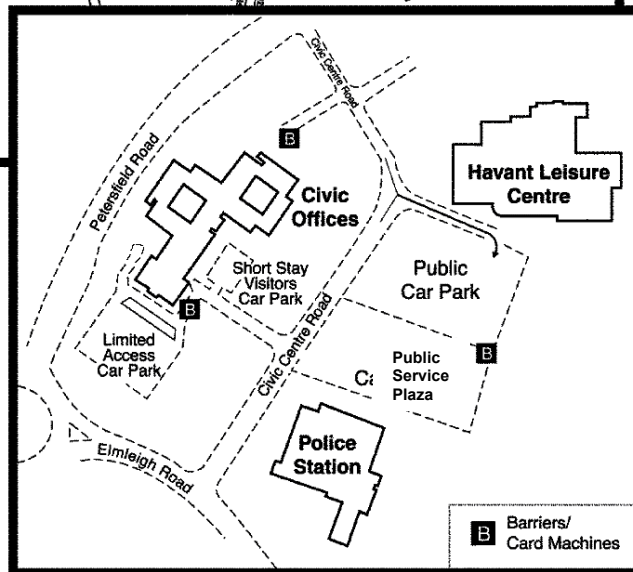
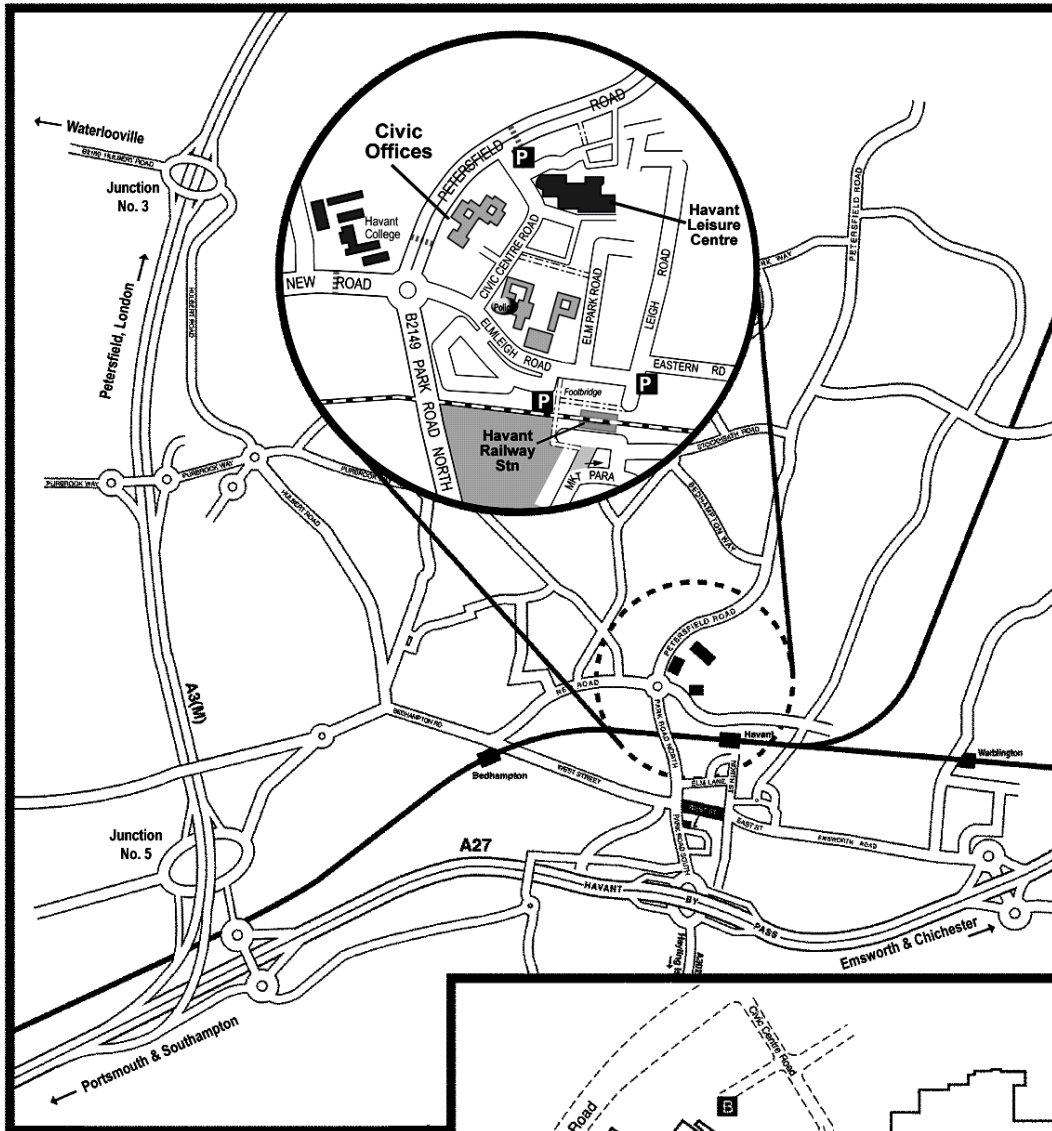
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HAVANT BOROUGH COUNCIL

At a meeting of the Governance, Audit and Finance Board held on 12 June 2019

Present

Councillor Kennett (Chairman)

Councillors P Bains, Crellin, Hart and Smith K

The Board noted that items 9 and 10 had been withdrawn from the agenda.

62 Apologies

Apologies for absence were received from Councillors Milne, Patel and Thomas.

63 Minutes

The Minutes of the meeting of the Governance, Audit and Finance Board held on 29 April 2019 were agreed as a correct record and signed by the Chairman.

64 Matters Arising

Minute 52 – The Board noted that a report on the future of Serving You would be reported to a future meeting of the Board.

65 Declarations of Interest

There were no declarations of interests.

66 Chairman's Report

The Chairman had nothing to report.

67 Review and Approval of Corporate Governance Policy & Local Code of Corporate Governance and Review of Draft Annual Governance Statement

The Board considered the following policies and statement:

- (a) Corporate Governance Policy
- (b) Local Code of Corporate Governance; and
- (c) The draft Annual Governance Statement.

RESOLVED that the Corporate Governance Policy, the Local Code of Governance and the draft Annual Governance Statement as submitted be endorsed.

68 Review of Council's Petition Scheme

The Board, at the request of the Chairman, reviewed the Council's current petition scheme, which has only been reviewed once since it was adopted by the Council in 2010. The Board considered the options available to the Council and the results of a benchmarking exercise of petition schemes adopted by Councils in Hampshire and West Sussex.

The Board felt that the scheme, in its current form, was not particularly user-friendly and not clear on the process or qualifications for a valid petition scheme.

Under the current scheme, petitions with at least 50 signatures were accepted as valid petitions. If the number of signatures was at least 750 or the petition requested an officer's progress report, the issue was referred to scrutiny. However, if the petition had at least 1500 signatures, the petition was referred to full council for debate, unless an officer's progress report had been requested, where it would be considered by scrutiny.

The Board felt that the current threshold for submitting a petition for a Full Council debate (at least 1500 signatures) was too high and penalised those areas of the Borough where there was a longstanding difficulty in motivating the community to sign a petition. The Board noted from the Benchmarking Exercise that although the current threshold was in line with a majority of the other Councils in terms of the percentage of population (1%), it was below the median average (1000 signatures). The Board therefore considered that a more appropriate threshold would be 1000 signatures. The Board acknowledged that there was a risk that a reduction in the threshold could result in an increase of inappropriate petitions being submitted for a Full Council debate and therefore recommended that the threshold be reviewed after a period of 12 months.

The Board noted that a change to the threshold figure for a full council debate would require the other thresholds to be amended.

Resolved that Cabinet be recommended to

- (a) agree the revised petition scheme as set out in Appendix A of the submitted report; and
- (b) review the revised threshold figure for full council debate within twelve months of the revisions to the scheme, as set out in (a) above.

69 Panels

RESOLVED that the following panels be appointed

(a) Budget Scrutiny Panel

Membership: Councillors Kennett, Hart, Crellin and Inkster

Functions: to review the plans for the 2020/21 budget and submit their findings to the Governance, Audit and Finance Board.

(b) Members Remuneration Panel

Membership: Councillors Crellin, Hart, Smith, and P Bains

Functions: to review Councillor Allowances for 2020/21 and submit their findings to the Governance, Audit and Finance Board.

The meeting commenced at 5.00 pm and concluded at 5.35 pm

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Chairman

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HAVANT BOROUGH COUNCIL

At a meeting of the Governance, Audit and Finance Board held on 2 July 2019

Present

Councillor Kennett (Chairman)

Councillors P Bains, Crellin, Hart, Patel and Smith K

1 Apologies

Apologies for absence were received from Councillors Inkster and Milne.

2 Declarations of Interest

There were no declarations of interests relating to items on the agenda.

3 Policy Approval for a Proposed Revision, Efficiency and Alignment of the Constitutions of East Hampshire District Council and Havant Borough Council

The Committee considered a report presented by the Interim Head of Legal recommending both Havant Borough and East Hampshire District Councils to review their constitutions. The aim of the review was to: align the two documents; remove inconsistencies; ensure that the constitutions reflected changes in legislation; achieve a consistency in approach and greater efficiency.

The report outlined the need for a review of the constitution and the rationalisation for aligning the two constitutions. The options available and the risks involved for each option were also outlined in the report.

The Solicitor to the Council advised that since the publication of the agenda:

- (a) It had been agreed that the review would be funded out of the Reserves Fund. Therefore Appendix 3 of the report had been withdrawn; and
- (b) East Hampshire District Council had agreed to the recommendations set out in the report subject to 4 members being appointed by that Council

In response to questions raised by members of the Board, the Interim Head of Legal advised that:

- (1) although an alignment of the two constitutions could lead to an alignment of the policies of each Council, this would not inevitably lead to the replacement of the two councils by one authority;

- (2) it was not cost effective to draft the revised constitutions in-house. An alignment of the two constitutions would reduce the drafting costs;
- (3) there was an increased risk of legal challenges, if a review was not undertaken;
- (4) staff had not be consulted on this proposed review and its implications on the policies and each council; and
- (5) although the aim was to align the two constitutions, it was accepted that there would be some areas where the constitution would differ.

The Interim Head of Legal advised that, if the recommendations were approved, a report would be submitted to Full Council.

RESOLVED that Council be Recommended to:

- (a) agree the review of the constitution and methodology set out in the submitted report.
- (b) approve the policy principles set out in Appendix 1 of the submitted report.
- (c) approve the creation of a single purpose joint subcommittee with Havant Borough Council of 8 Members.
- (d) appoint 4 Members from Havant Borough Council to the subcommittee referred to (c) above.
- (e) invite the Sub-Committee to report to full Councils in October 2019.
- (f) approve the budget to a maximum of £20,000 from Havant Borough Council General Reserve.

The meeting commenced at 4.30 pm and concluded at 5.04 pm

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Chairman

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT & FINANCE BOARD

24 JULY 2019

ANNUAL GOVERNANCE STATEMENT 2018-19

Will Jackson, Governance Manager

FOR DECISION

Portfolio: Governance, Cllr Bowerman

Chief Finance Officer: Lydia Morrison

Key Decision: No

1.0 Purpose of Report

- 1.1 Good business practice is to ensure robust policies and systems are in place and that annual reviews of governance arrangements take place. This report is submitted to the Governance, Audit & Finance Board for decision on the Annual Governance Statement 2018-19.
- 1.2 Governance, Audit & Finance reviewed a draft of the Annual Governance Statement at its meeting on 12 June 2019. Comments from that meeting have been incorporated into the attached final version of the Annual Governance Statement.

2.0 Recommendation

- 2.1 Governance, Audit & Finance Board is recommended to approve the Annual Governance Statement 2018-19 at Appendix A.

3.0 Executive Summary

- 3.1 The CIPFA/SOLACE framework 'Delivering Good Governance in Local Government' urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code of Corporate Governance, and prepare a governance statement in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes for the coming period.
- 3.2 The Annual Governance Statement 2018-19 at Appendix A details the Governance Framework, including the key elements of the Council's governance arrangements, the review of framework outlining the

annual review process and overall opinion, and further improvement areas.

- 3.3 In terms of overall corporate governance it is the Chief Executive's and Chief Finance Officer's opinion that the overall governance arrangements of the Council are considered sound. The Annual Governance Statement is informed by the self-assessment of compliance against the principles by the Governance Manager, the governance questionnaire, the work of Internal Audit and External Audit. The Havant Borough Council Annual Governance Statement 2018-19 will be published as part of the Annual Statement of Accounts which are also being considered by the Board.
- 3.4 Part of the Governance and Audit Board's remit is to assess the effectiveness of internal controls, risk management, and governance arrangements in place and this includes to be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives'¹

4.0 Additional Budgetary Implications

- 4.1 None

5.0 Background and relationship to the Corporate Strategy and Directorate Business Plan/s

- 5.1 Corporate Governance comprises the systems and values by which Havant Borough Council is directed and controlled and through which it is accountable. To demonstrate compliance with the principles of good corporate governance, Havant Borough Council must ensure that it does the right things and in the right way. The Council must also ensure that this is done in a timely, inclusive, open, honest and accountable manner.

6.0 Options considered and reasons for the recommendation

- 6.1 A new 'CIPFA/SOLACE Framework' was published in 2016 to ensure it remains fit for purpose, which applies to Annual Governance Statements prepared for the financial year onwards. The revised Framework defines the seven core principles of good governance.
- 6.2 The Framework urges local authorities to review the effectiveness of their existing governance arrangements against their Local Code of Corporate Governance and prepare a governance statement and report compliance on an annual basis.

¹ CIPFA guidance note for local authorities 'Audit Committees' (2013)

7.0 Resource Implications

- 7.1 Financial Implications - none
- 7.2 Human Resources Implications - none
- 7.3 Other Resource Implication - none

8.0 Legal Implications

- 8.1 None. The publication of the Annual Governance Statement details the Governance Framework, including the key elements of the Council's governance arrangements.

9.0 Risks

- 9.1 The document is a vital part of ensuring that Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 9.2 Failure to produce and report these documents would carry the risk that the Council was failing in its duty to evidence that it was operating in accordance with the law and proper standards and that public money is safeguarded and properly accounted for.

10 Consultation

- 10.1 The Annual Governance Statement have been shared with relevant Heads of Service and Executive Board. The draft of the Annual Governance Statement has also been shared with External Audit. The Board also reviewed an earlier draft of the Annual Governance Statement at its meeting in June 2019.

11 Communication

- 11.1 The Annual Governance Statement will all be published on the website alongside the final version of the Statement of Accounts 2018-19.

Appendices: Appendix A – Annual Governance Statement 2018-19
Background Papers: *None*

Agreed and signed off by:
Monitoring Officer: 12 July 2019
S151 Officer: 12 July 2019

Contact Officer: Will Jackson
Job Title: Governance Manager
Telephone: 02392 446269
E-Mail: william.jackson@havant.gov.uk

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Introduction

The Leader of the Council (Councillor Michael Wilson) and Chief Executive (Gill Kneller) both recognise the importance of having good systems in place to manage and deliver services to the residents of Havant Borough. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working.

This AGS is in respect of 2018/19. The Council also publishes an Annual Report which provides further information on the opportunities and challenges faced by the Council.

The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the Council directs and controls its activities, and how it leads, engages with and accounts to the community it serves. The framework brings together an underlying set of legislative requirements, good practice principles and management processes and enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

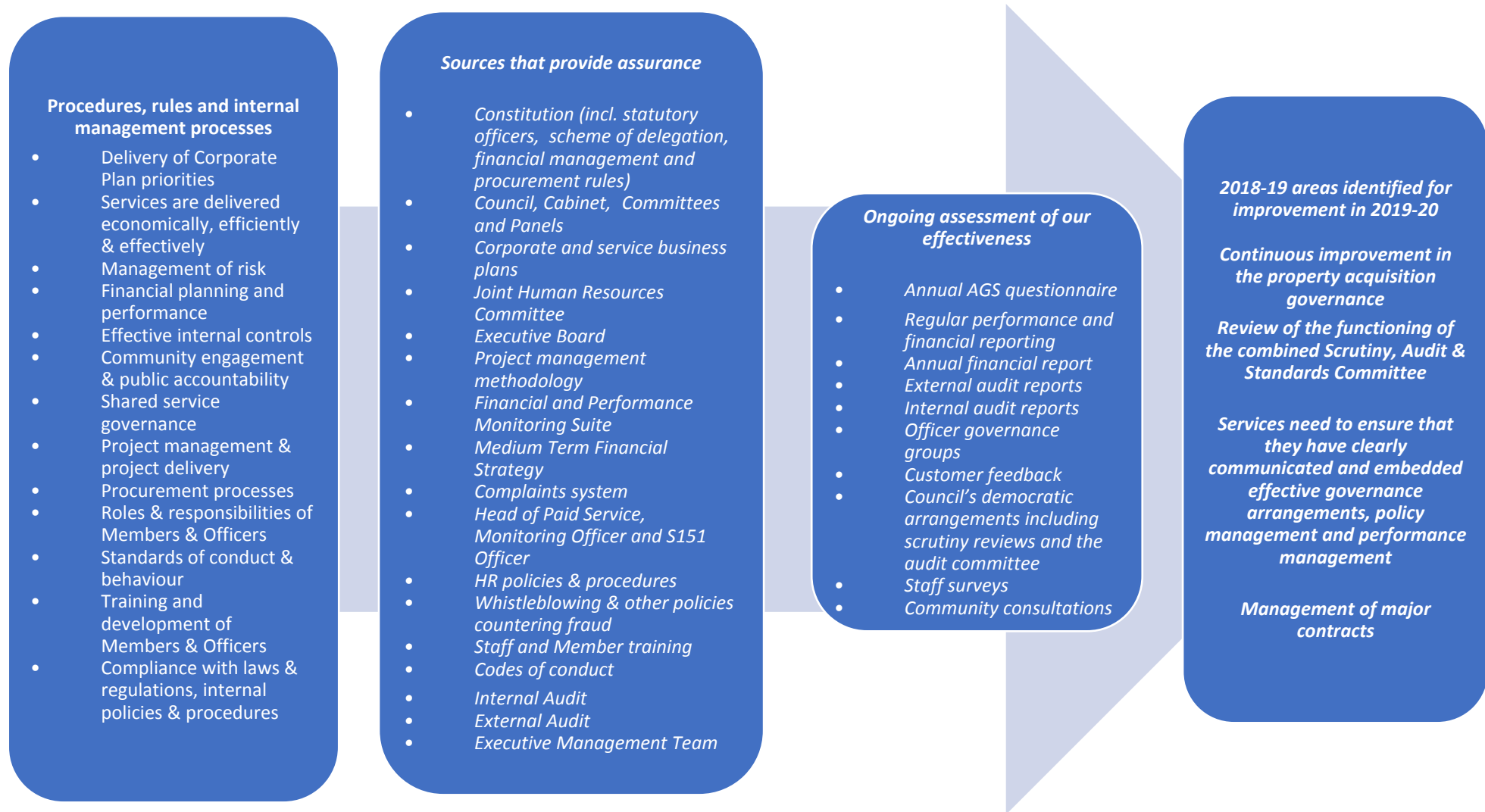
The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level. It cannot eliminate all risk of failure to achieve the Council's aims and objectives, and seeks to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities.

The structures and processes, risk management and other internal control systems, such as standards of conduct and Audit, form part of this Framework, which is about managing the barriers to achieving the Council's objectives. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Executive Board which comprises the Chief Executive, Executive Directors, Chief Finance Officer (Section 151 Officer) with advice and guidance provided by the Monitoring Officer. The Council has designed systems and processes to regulate, monitor and control its activities to achieve its vision and objectives.

How do we know it is working?

The annual process that we use to maintain and review effectiveness of our governance arrangements includes a wide input.



How we apply the Governance Framework to the Local Code of Corporate Governance

The Council aims to achieve effective corporate governance through the Code of Corporate Governance. The table below highlights examples of how the Council has adhered to its governance commitments as set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments.

A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW	
How the Council meets these principles	Where you can see Governance in action
<p>There are codes of conduct in place for all Councillors and Officers. The Council has appointed independent persons to investigate any allegations of misconduct, and the Governance, Audit and Finance Board receives regular reports from the Monitoring Officer on complaints regarding Councillors.</p> <p>The Council’s Constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing.</p> <p>All Council employees have clear conditions of employment, and roles and responsibilities are set out in job descriptions.</p> <p>There is a requirement for Councillors to make a Declaration of Disclosable Pecuniary Interests within 28 days of taking office and to notify the Council of any changes to the interests made in this declaration within a specified time period. Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion in, or vote on, the matter in relation to which the member has a disclosable pecuniary interest. There is an up-to-date register of gifts and hospitality and minutes show declarations of interest were sought and appropriate declarations made through annual declarations.</p> <p>The Council has in place a complaints procedure including weekly reminders to relevant managers responsible. The Council has a shared Monitoring Officer with East Hampshire District Council and as a member of the Executive Board he is kept apprised on the Council’s projects and actions and is ultimately responsible for legal compliance.</p>	<p>Councillor Code of Conduct Staff Code of Conduct</p> <p>Constitution</p> <p>Anti Fraud & Corruption Policy including Fraud Response Plan</p> <p>Whistleblowing Policy</p>

<p>Statutory officer roles are the Head of Paid Service who is the Chief Executive, the Chief Financial (S151) Officer, who carries overall responsibility for the Council’s financial administration and is a member of the Executive Board, and the Monitoring Officer, who ensures the Council acts lawfully. All three roles are shared with East Hampshire District Council.</p>	
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B. ENSURING OPENESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT

How the Council meets these principles	Where you can see Governance in action
<p>The Council has laid out its purpose, direction, vision and objectives in its Council Strategy which can be obtained either on the Council’s website or from the Council’s offices. The Council Corporate Strategy is comprehensively reviewed regularly, and is underpinned by the key themes of: Financial Sustainability; Economic Growth; Public Service Excellence; Environmental Sustainability; and Creativity and Innovation. Business plans are prepared to support the Corporate Strategy.</p>	<p>http://www.havant.gov.uk/performance-and-strategy</p>
<p>The Council is committed to transparency and an open culture and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the Government’s transparency agenda and publish information such as remuneration for senior management, and information on items of expenditure over £500.</p>	<p>Freedom of Information</p>
<p>The Council’s democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually.</p>	<p>Committees and Papers</p>
<p>The Council carried out a residents’ survey in 2018 the results of which were shared with Service Heads to inform their services to residents. The next residents survey is due to take place in summer 2020. In addition to the publication of the residents’ magazine, called ‘Serving You’, the Council has a Facebook page and Twitter feed which is actively promoted and used. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, Twitter, LinkedIn and Instagram as well as YouTube to get updates from and interact with the Council.</p>	<p>Serving You magazine</p> <p>HBC Facebook</p> <p>Twitter</p> <p>Instagram</p> <p>YouTube</p>
<p>The Council’s website is set out in a clear and easily accessible way, using infographics and plain language. The</p>	

<p>information which residents use most, such as Council Tax and Waste and Recycling can be accessed quickly and easily from the homepage.</p> <p>Summary in Statement of Accounts and Annual Report providing a clear summary of the Council’s activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p> <p>The Council has a Joint Venture with Norse (Norse South East) for waste collection which is governed by the Norse South East Board which has members from Norse Commercial Services and the Council on the Board. Norse South East is responsible for the procurement and efficient management of waste and recycling collections, street cleaning, public convenience cleansing, grounds maintenance and associated service facilities for the treatment and disposal of residual waste.</p>	<p>http://www.havant.gov.uk/</p> <p>http://www.havant.gov.uk/ /accounts Annual Report</p> <p>http://norsesoutheast.co.uk/</p>
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C. DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

How the Council meets these principles	Where you can see Governance in action
<p>The Council takes an annual approach to business planning, allowing a close link between business and financial planning. The Financial Management Strategy is reviewed annually and forms the basis of the annual budgeting process. The Council’s operational services are divided into Directorates. Business plans for each directorate are agreed annually and identify objectives and targets for all services. The Directorate Key Performance Indicators are monitored corporately. Monthly financial forecasts are submitted to the Executive Board and quarterly to Councillors alongside the Performance Indicator information.</p> <p>The Council’s budget report contains a summary of the budget and business plans that has been set for Havant Borough Council for 2018/19, as approved by the Council on the 21st February 2018. It shows on what service areas money is spent, and how this expenditure is funded. Also within this document is information showing the forecast financial position over the next three years, taking into account changes in government funding, other income and spending.</p> <p>The Council uses evidence based insight to inform decision making and uses the data available to understand residents and local businesses better. The Council is committed to consulting with and engaging with residents and local businesses in the planning and delivery of services to meet the needs of the community.</p>	<p>Council Budget & Business Plan</p>

D. DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES	
How the Council meets these principles	Where you can see Governance in action
<p>Public Accountability is the way in which the Council engages with local stakeholders to ensure robust public accountability. The Council’s Corporate Strategy is formulated following the results of a survey which seeks feedback from the public, Councillors, staff and other key stakeholders. The Council has a Medium Term Financial Strategy which is available on the Council’s website, which is used to align resources to key priorities. The Council has report templates to ensure authors cover all the requirements to enable a decision to be made; they include options appraisal (if required), cost and risk analysis in addition to key signatories such as legal and finance and must include the portfolio holder.</p> <p>All decision-making meetings are held in public and decisions made by Cabinet members and officers are published in line with the statutory legal requirements, although some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings. The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.</p>	<p>Corporate Strategy</p> <p>Medium Term Financial Strategy</p> <p>Council Decisions</p>

E. DEVELOPING THE COUNCILS CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT	
How the Council meets these principles	Where you can see Governance in action
<p>The Council has a joint management team with East Hampshire District Council. This management team is made up of the Chief Executive, Chief Finance Officer, two Executive Directors and the Heads of Service, most of which are shared with East Hampshire District Council.</p> <p>The Waste Collection service is provided in a Joint Venture with Norse (Norse South East). The costs of all shared management posts are shared between the Councils. A number of the Council’s corporate services are delivered through the 5 Councils Partnership with Capita which is monitored via a shared Client Team.</p>	<p>Management Structure</p>

<p>The Council has a performance management framework, this includes induction and performance appraisal processes for all employees. Training programmes are identified for officers as part of the performance appraisal process. This information is fed into the Corporate Training Programme. In 2018-19 mandatory e-learning for staff on data protection and fraud awareness, safeguarding, equalities and diversity has been undertaken.</p> <p>Following the Borough Council Elections, all Councillors are required to undertake a comprehensive and compulsory training programme. This includes Planning training, Code of Conduct training and Licensing training. Councillors are not allowed to sit on the Planning or Licensing Committees until such training has been undertaken. The training programme ensures that they have an understanding of the procedures and protocols of the Council.</p> <p>In addition to the compulsory training, a series of other courses and events are also offered. Under the Councillor Development Programme, during the course of a Councillor’s four year term of office, regular skills audits are undertaken to identify any new skills requirements or refresher training requirements.</p>	<p>Performance & Strategy</p>
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<p>F. MANAGING THE RISKS AND PERFORMANCE THROUGH ROBUST INTERNAL CONTROL AND STRONG PUBLIC FINANCIAL MANAGEMENT</p>	
<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
<p>The Council ensures that the roles and responsibilities for decision making and governance arrangements are defined and allocated, so that there is clear accountability for decisions made and actions taken. The Council does this by appointing a Leader and a Cabinet, which allocates specific executive responsibilities.</p> <p>There are also a number of committees appointed to discharge regulatory and scrutiny functions. Each committee has clear terms of reference setting out roles and responsibilities. All leadership roles, the roles of key officers and the Council’s Scheme of Delegation are set out within the Council Constitution.</p> <p>The Cabinet operates within the policy framework set by Full Council, and makes key decisions. All Cabinet meetings are held in public, with the exception of exempt items. All decision records are publicly available, and the Forward Plan and Key Decision notice is published on the Council website. Decisions made by Cabinet can be called in for review by the Governance, Audit and Finance Board. Decisions can also be made by officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of</p>	<p>Council structure</p> <p>Committee structure</p> <p>Forward Plan</p>

<p>Delegation and by specific delegation by Cabinet or Council.</p> <p>Risk is considered and recorded as part of the business planning process, and monitored throughout the year as part of the quarterly review of performance and financial management (quarterly healthcheck). The Council has a wide range of performance indicators, which are used to measure progress against the Council’s priorities. Performance indicators are reported quarterly to the Executive Board and informally to the Cabinet. Performance indicators clearly link individual services to the corporate objectives and include details of national and local performance indicators and risk. Individual performance plans link to directorate business plans and the Corporate Strategy. Performance Indicators are reviewed annually as part of the business planning process to ensure they continue to be relevant and stretching.</p> <p>A Corporate Governance Board has been established with an objective of providing a pragmatic layer of assurance to the business. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public. This will be underpinned by the Local Code of Corporate Governance. In addition, the Corporate Governance Board is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council, and for monitoring the arrangements in place for the identification, monitoring and management of risks.</p> <p>The Council utilises the LG Inform tool which allows for benchmarking and data sharing against other local authorities across the country.</p> <p>The Council has in place a number of policies and procedures to ensure decisions made are robust. These are included in the Finance and Contracts Procedure rules in the Constitution. Compliance with these policies is the responsibility of all officers.</p>	<p>Corporate Governance Policy</p> <p>Local Code of Corporate Governance</p> <p>https://lginform.local.gov.uk/</p> <p>Policy Hub</p>
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<p>G. IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY</p>	
<p>How the Council meets these principles</p>	<p>Where you can see Governance in action</p>
<p>The Council produces an annual report which can be found on the Council’s website. The report not only shows the</p>	<p>Annual Report</p>

<p>council’s successes of the last financial year, but highlights the direction of travel for our future. The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting Statements incorporate the full requirements of best practice guidance.</p> <p>The Council has a Governance, Audit and Finance Board to provide assurance to the Council on the effectiveness of Internal Audit and the robustness of the Council’s Annual Accounts. Risk management is controlled through the Corporate Governance Board and reported to Executive Board through the corporate governance report and quarterly healthcheck. Risks rated as above the risk threshold are reported as part of the quarterly healthcheck to Councillors.</p> <p>Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget. Governance, Audit and Scrutiny Committee approves the Statement of Accounts.</p> <p>The Council is subject to independent external audit currently by Ernst & Young. The External Audit plan outlines the work undertaken and the timing of external audit reports. The Council supplements this work with an internal audit service sourced through the Southern Internal Audit Partnership. The Governance, Audit and Finance Board undertake the core functions of an audit committee.</p> <p>The Council has appointed the Chief Finance Officer as the Section 151 Officer with the statutory responsibility for the proper administration of the Council’s financial affairs. The Internal Audit service has an annual audit plan based on a risk analysis carried out by the auditors each spring. This minimises the risk of fraud and error, and provides management with assurance that policies and procedures are robust.</p>	<p>Statement of Accounts</p> <p>GAF Board</p> <p>Full Council</p> <p>External Audit Internal Audit</p>
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Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the following areas:

Annual Governance Statement 2018-19

Political leadership - Officer leadership - Internal Assessment & Monitoring - Review of responsibilities of CFO -Internal Audit - External Audit.

Area	Review of effectiveness
Political leadership	<ul style="list-style-type: none"> • The Council’s Governance, Audit and Finance Board is also responsible for monitoring, scrutinising and holding the decision makers to account. It meets five times per year as the Council’s official audit committee. The committee ensures that the Internal and External Audit reports it receives are robust. • The Governance, Audit and Finance Board review of the elements of the governance framework to ensure they are in place and effective. In 2018/19 they also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council. • The monitoring role of the Governance, Audit and Finance Board to monitor standards of conduct of Members and advised the Council on probity issues. Entries made in the Register of Members’ Interests were reviewed by the Monitoring Officer.
Officer leadership	<ul style="list-style-type: none"> • The maintenance of the Council’s Constitution which was last reviewed in 2018/19 and approved at the start of the 2019/20 municipal year. The Constitution is reviewed on an annual basis. • The Council’s Monitoring Officer’s legal responsibility to report on matters of unlawfulness within the Council. In 2018/19 the Monitoring Officer continued his review of the efficiency and effectiveness of all arrangements relating to Council and Committee meetings, working groups, and the required officer support and will be reporting on this to full council • The Corporate Governance Board quarterly report to the Executive Board on governance matters covering risk, Health and Safety, Business Continuity, Emergency Planning, Information Risk and Financial Risk and updates are provided to Members through the quarterly healthcheck.
Internal Assessment & Monitoring	<ul style="list-style-type: none"> • Regular reporting arrangements on the financial affairs of the Council. The budget for 2018/19 was agreed by Full Council in 21st February 2018 and financial performance reported on a quarterly basis to Members. • Effective operation of the Performance Management Framework throughout the year. Monitoring information on key areas of performance has been provided by the Programme Office for review and action. • As part of the process of identifying any areas where governance needs to be strengthened across the organisation, services have for the first time completed an online questionnaire indicating where they comply with each of the criteria in the Code of Corporate Governance. The AGS questionnaire highlighted the following: <ul style="list-style-type: none"> ○ Areas of Strength <ul style="list-style-type: none"> ▪ Engagement with Members ▪ Budget & business plan setting

Annual Governance Statement 2018-19

	<ul style="list-style-type: none"> ▪ FOI procedure ○ Areas for improvement: <ul style="list-style-type: none"> ▪ Awareness of structure and operation of committees ▪ Awareness of staff codes of conduct ▪ Monitoring of mandatory e-learning courses
Responsibilities of Chief Finance Officer (s151)	<ul style="list-style-type: none"> • The Chief Finance Officer is the Responsible Financial Officer and is a member of the Executive Board. They are responsible for delivering and overseeing the financial management arrangements of the Council. East Hampshire District Council shares a Chief Finance Officer with Havant Borough Council. The Chief Finance Officer reports directly to the Chief Executive. • Ensuring alignment with the Code of Practice on Local Authority Accounting for 2018/19. Havant Borough Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the CFO in Local Government (2016).
Internal Audit	<ul style="list-style-type: none"> • The Council's Internal Audit provided by the Southern Internal Audit Partnership which is hosted by Hampshire County Council. An audit plan, based on a full risk evaluation, is approved annually. • Progress against the audit plan is reported quarterly to the Governance, Audit & Finance Board. Any outstanding high risk actions are addressed as a matter of priority. • Internal Audit attend the Corporate Governance Board to provide an update on progress of management actions and report quarterly to Executive Board • The Southern Internal Audit Partnership delivered 30 review areas over the course of the year ending 31 March 2019 including all carry forward reviews. The Chief Internal Auditor's opinion of Havant Borough's framework of governance, risk management and management control is 'adequate' and audit testing has demonstrated controls to be working in practice.
External Audit	<ul style="list-style-type: none"> • The Council's External Audit requirement is provided by Ernst & Young LLP. • The role of External Audit is to ensure that the Council's Accounts are free from material error, to provide a value for money conclusion and to certify key grant claims. • In September 2018 the Council's external auditor provided the Council with an unqualified opinion on the Council's accounts within their Audit Results Report. • Ernst & Young LLP also provided an unqualified opinion of the Council's arrangements to secure Value for Money.

Last year's key improvement area

In the 2017/18 Annual Governance Statement, five key issues were identified. Below are the issues and actions taken during 2018/19.

Improvement area	Issue of concern	Action taken
<p>Management of major contracts:</p> <ul style="list-style-type: none"> • 5-Councils Contract/6-Councils Partnership • Norse South East 	<p>5-Councils Contract/6-Councils Partnership Movement towards the new target operating models (TOMs) have been delayed. As a result, transition is delayed and has required independent mediation in some areas. Initial issues have been resolved. Significant resource is still required to ensure that the council transitions smoothly to the new service TOMs.</p> <p>Changes were also agreed with respect to the Capita contract which improved terms for the Councils and although savings derived reduced, they become more deliverable</p> <p>Norse South East The Council has a Joint Venture with Norse (Norse South East) for waste collection which is governed by the Norse South East Board which has members from Norse Commercial Services and the Council on the Board.</p>	<p>5-Councils Contract/6-Councils Partnership</p> <ul style="list-style-type: none"> • Programme of work established to review Capita services which commenced during the year and will be completed in 2019-20 with recommended options • Management of contract continues through regular review of performance via Client Team • Ensured that governance arrangements are fully embedded and operational – further Internal Audit took place in 2018/19. <p>Norse South East</p> <ul style="list-style-type: none"> • Focus on re-negotiation of contract following agreement to supply services to East Hampshire District Council. • Review of governance and reporting regime expected to be completed during contract negotiations in 2019-20. • Ensured that governance arrangements are fully embedded and operational – further Internal Audit took place in 2018/19.
<p>Partnership of shared services and service delivery models</p>	<p>The Council has a number of complex models of delivery for its public service including our shared management team and our Coastal Partnership</p>	<ul style="list-style-type: none"> • During the year the management team and directorates were restructured resulting in a Corporate Services Directorate, Operations & Neighbourhoods Directorate and Regeneration & Place Directorate. The new structure has allowed for closer scrutiny of our partnership models. • Head of Strategic Commissioning is responsible for our major

		<p>contracts and has oversight of our 5-Councils Partnership and our Joint Venture.</p> <ul style="list-style-type: none"> • A Shared Service Agreement is in place for our Coastal Partnership which oversees how the Partnership is governed. A Partnership Report is published every two years.
GDPR	The Council needs to ensure completion of works to be compliant and the embedding of the principles of GDPR across the Council’s services	<ul style="list-style-type: none"> • Internal Audit completed during year with progression from ‘Limited’ assurance to ‘Adequate’ assurance. • Further work continues on embedding of GDPR requirements across the Council including updating of guidance documents when completing Council reports in order to ensure consideration of GDPR requirements when making decisions
Accounting Code and Prudential Code (2017/18)	CIPFA introduced a number of minor amendments to the 2017/18 Accounting Code and published a new version of the Prudential Code.	<ul style="list-style-type: none"> • Minor amendments all incorporated as required by the 2017-18 Accounting Code and Prudential Code.

Identified key improvement areas

The Council is generally satisfied with the effectiveness of corporate governance arrangements and internal control. As part of its continuing efforts to improve governance arrangements the following issues, as highlighted in this Statement, have been identified for improvement in 2019/20.

Issue of concern	Key improvement	Lead officer	Action required
Review of the functioning of the combined Scrutiny, Audit & Standards Committee	<p>To align the Scrutiny Committee function with the new guidance issued on 8 May 2019.</p> <p>To empower Audit to provide greater value on the issue of governance.</p> <p>To provide Standards Committee the opportunity to engage in fully in expected Standards in public life.</p>	David Brown	<ul style="list-style-type: none"> Amend the current committee structure to articulate clear separation of Executive and Non-Executive functions
Services need to ensure that they have clearly communicated and embedded effective governance arrangements, policy management and performance management	<p>Continued improvement of governance and communication of policies and associated guidance, including embedding new ways of working. This includes strong messages around compliance and accountability and a planned programme of work to identify and tackle areas of non-compliance</p> <p>Review of the Performance Management Framework covering both corporate performance and personal performance</p>	Lydia Morrison	<ul style="list-style-type: none"> Policy and guidance review; including those policies that require updating Communication of policies to staff Programme of work identifying areas of non-compliance Update Performance Management Framework to ensure a stronger link between corporate performance and officer performance and review performance measures to embed performance culture in the organisation
<p>Management of major contracts:</p> <ul style="list-style-type: none"> 5-Councils Contract/6-Councils Partnership Waste contract 	<p>Strengthening the Council's approach to commissioning, procurement and contract management in particular with respect to the following contracts:</p> <ul style="list-style-type: none"> 5-Councils/6-Councils Partnership Waste contract 	Natalie Meagher	<ul style="list-style-type: none"> Ensure any changes to the Capita contract are appropriately negotiated, managed and delivered Ensure smooth transition to the new waste contract arrangements, providing East Hampshire District Council with

Annual Governance Statement 2018-19

			waste services <ul style="list-style-type: none"> • Review performance management and reporting arrangements of all major contracts • Implement any recommendations from Contract Management Internal Audit 2018-19
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Opinion

It is our opinion that corporate governance, along with supporting controls and procedures, is strong. We propose over the coming year to take steps to address the above matters to further enhance our corporate governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed

CEO

Leader

Glossary

Annual Governance Statement (AGS)	Annual Governance Statement which describes how corporate governance arrangements have been working for a period of time indicated
Budget	The estimate of income and expenditure for a set period of time, for the Council this covers the financial year 1

Annual Governance Statement 2018-19

	April until 31 March each year and includes all the financial resources allocated to different services and projects.
Code of conduct	The Code sets the standards and behaviour expected of councillors and co-opted members
Constitution	The Council's constitution contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules. The Constitution also contains the policies for anti-fraud and corruption, anti-bribery and whistleblowing.
Corporate Strategy	Document detailing the purpose, direction, vision and objectives of the organisation
Corporate Governance Board	The Corporate Governance Board meets quarterly to provide assurance to the business on matters of corporate governance. Specifically, the Corporate Governance Board ensures that the organisation develops and implements an effective approach to corporate governance which enables the business and affairs of the Council to be carried out, directed and managed with the objective of enhancing value to the public.
Data Protection Officer	A Data Protection Officer (DPO) is a role required by GDPR. Data Protection Officers are responsible for overseeing data protection strategy and implementation to ensure compliance with GDPR requirements
Executive Board	The meeting of chief officers comprising of the Chief Executive, Executive Directors, Chief Finance Officer (Section 151 Officer) with advice and guidance provided by the Monitoring Officer.
Executive Management Team	Comprises the Chief Executive, Executive Directors, Chief Finance Officer and Heads of Service
Data Protection Act 2018	The Data Protection Act 2018 and associated General Data Protection Regulations which came into force in May 2018. This strengthens the regulatory environment for data owners, controller and processors and aligns legislation with other European countries.
Governance, Audit & Scrutiny Committee	The Governance, Audit & Scrutiny Committee considers the Council's governance arrangements and ensures that the financial affairs of the Council are properly conducted.
Head of Paid Service	The most senior officer with overall responsibility for the management and operation of the Council. Also known as the Chief Executive
Healthcheck	A quarterly review of Council performance covering financial and business plan progression for that quarter
Key Performance Indicators	A measurable value that demonstrates how effectively the organisation is achieving against its key objectives
Licensing Committee	Committee of councillors that undertake all licensing and gambling functions, powers and duties conferred on the Council under the Licensing Act 2003 and the Gambling Act 2005.
Local Plan	A Local Plan sets out the local planning policies and identifies how land is used, determining what will be built where. Once a local plan becomes adopted it provides the framework for development within an area.
Local Code of Corporate Governance	The Local Code of Corporate Governance describes the arrangements in place to ensure that the council conducts its business in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
Medium Term Financial Strategy	The Council's key financial planning document. It aims to provide the Council with an assurance that the spending

Annual Governance Statement 2018-19

	plans are affordable over the medium term (five years). The MTFS includes a five year budget forecast that is reviewed annually as part of the budget setting process.
Monitoring Officer	The officer charged with ensuring that everything that the Council does is fair and lawful
Planning Committee	Committee of councillors that sit as the local planning authority to determine planning applications (not delegated to officers).
Policy Framework	The plans and strategies, which have been adopted by the Full Council in accordance with which the Leader of the Council, Cabinet, committees and officers must operate
Residents' Survey	Survey held approximately every two years to gather residents' views of the District and services offered by the Council
Section 151 Officer	The officer responsible for the administration of the financial affairs of the Council (under section 151 of the Local Government Act 1972). Also known as the Chief Finance Officer
Statement of Accounts	The Statement of Accounts show, in financial terms, the performance of the council for the year indicated. It is a statutory publication produced in accordance with legislative requirements and the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom.
Target Operating Model	The Target Operating Model refers to the 5-Council Contract/6-Council Partnership shared service contract method of delivery. Once a service is outsourced a number of changes will be implemented in order for that service to be delivered according to the contract specification, once it has reached contract specification it is delivering against its Target Operating Model
5-Council Contract/6-Council Partnership	A contract between Havant Borough Council, Hart District Council, Mendip District Council, South Oxfordshire District Council and Vale of White Horse District Council to secure better value for money services for residents through shared contracts. East Hampshire District Council joined at the sixth partner through the shared service arrangement it holds with Havant Borough Council.

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD

24 July 2019

ANNUAL INTERNAL AUDIT REPORT AND OPINION 2018-19

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 Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the year ending 31 March 2019.

2.0 Recommendation

- 2.1** That the Governance, Audit and Finance Board approve the Chief Internal Auditor's annual report and opinion for 2018/19.

3.0 Summary

- 3.1** In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control to inform the production of the Annual Governance Statement.
- 3.2** The Annual Report for 2018/19 (attached at Appendix 1) provides the Chief Internal Auditor's opinion on the adequacy and effectiveness the Council's framework of risk management, control and governance processes and summarises audit work from which that opinion is derived for the year ending 31 March 2019.
- 3.3** The Governance, Audit and Finance Board's attention is drawn to the following points:
- Internal audit was compliant with the Public Sector Internal Audit Standards during 2018/19;
 - The Council's framework of governance, risk management and management control is considered to be 'Adequate' and audit testing has demonstrated controls to be working in practice; and
 - Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not

fully followed, appropriate corrective actions and a timescale for improvement were agreed with the responsible managers.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consisted of 380 audit days and remained 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 02 July 2019.

Appendices: **Appendix 1 – Annual Internal Audit Report and Opinion 2018/19**

Agreed and signed off by: Legal Services: David Brown – Head of Legal and:
Finance: Lydia Morrison – Chief Finance Officer

Contact Officer: Antony Harvey
Job Title: Deputy Head of the Southern Internal Audit Partnership
Telephone: 01962 845701
E-Mail: antony.harvey@hants.gov.uk

Annual Internal Audit Report & Opinion

2018 - 19

Havant Borough Council



Southern Internal Audit Partnership

Page 31

Contents

Section	Page
1. Role of Internal Audit	3
2. Internal Audit Approach	4
3. Internal Audit Opinion	5
4. Internal Audit Coverage and Output	6-7
5. Key Observations	8-9

6.	Anti Fraud and Corruption	9
7.	Quality Assurance and Improvement	10
8.	Disclosure of Non-Conformance	11
9.	Quality control	11
10.	Internal Audit Performance	12
11.	Acknowledgement	12

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 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.

2. Internal Audit Approach

To enable effective outcomes, internal audit provide 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.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Deputy Head of the Southern Internal Audit Partnership and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisation’s success;
- risks inherent in the achievement of objectives; and
- level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



3. Internal Audit Opinion

The Deputy Head of the Southern Internal Audit Partnership is the Council’s Chief Internal Auditor, 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 concludes on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years’ internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of Havant Borough Council’s audit need that has been covered within the period.

Annual Internal Audit Opinion 2018-19

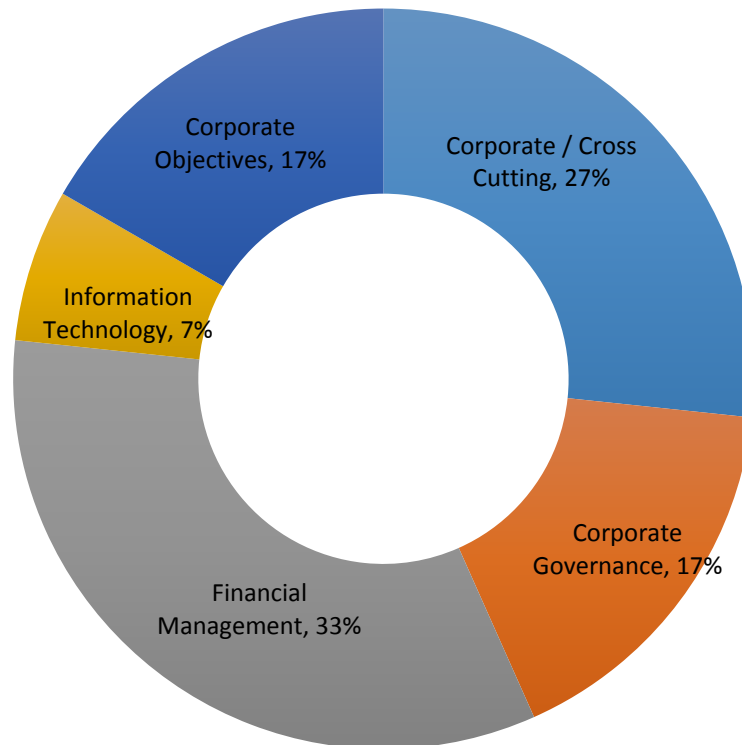
“I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Havant Borough Council’s internal control environment.

In my opinion, Havant Borough Council’s framework of governance, risk management and control is ‘Adequate’ and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.”

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2018-19 Internal audit plan, approved by the Governance and Audit Committee in March 2018, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

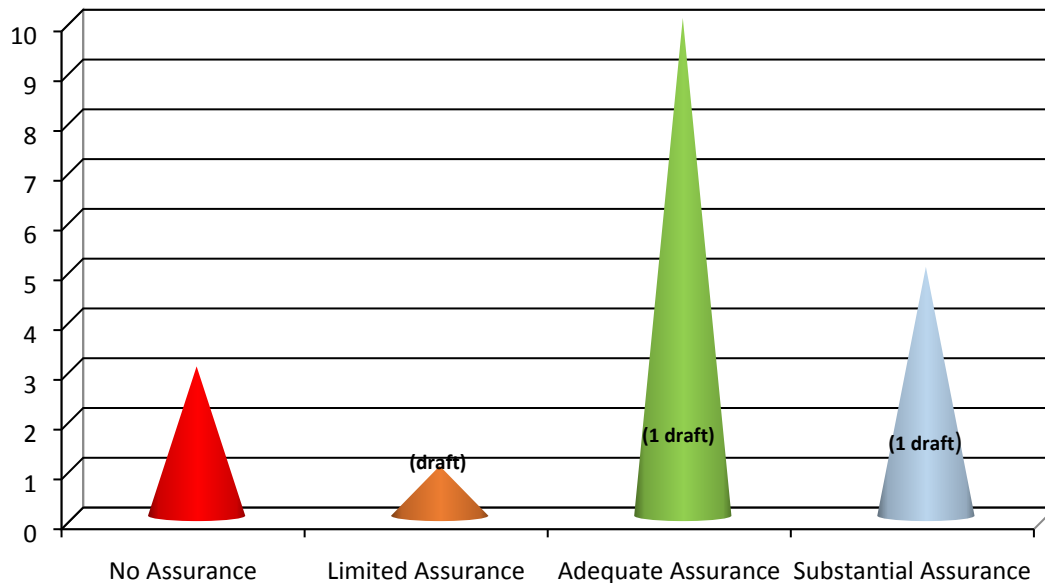
The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion the Southern Internal Audit Partnership have undertaken 30 reviews during the year ending 31 March 2019.

The revised 2018-19 internal audit plan has been delivered with the following exceptions:

- Work is substantially complete and an opinion has been formed for three reviews, however, final reports have yet to be agreed (Accounts Payable; Accounts Receivable/Debt Management; and De-Commissioning of Civica Financials).

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined 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 (es) identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk; or

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

*11 reviews did not culminate in an audit opinion as they relate to work conducted in respect of consultancy & advice, the follow-up of previous audit findings and agreed actions, assurance mapping, grant certification or concluded with a position statement.

5. Key Observations

In general, internal audit work found there to be a sound control environment in place across a majority of review areas that were working effectively to support the delivery of corporate objectives. Three reviews concluded with a ‘No Assurance’ Opinion and one with a ‘Limited Assurance’ Opinion as follows:-

No Assurance Opinions - Payroll, Human Resources and Overtime & Expenses Reviews: In previous financial years and during the transition to Capita, SIAP provided internal audit assurance over the Council’s core financial and business operations, including services outsourced to Capita prior to the Six Council arrangements. In line with the agreed audit plan for 2018-19, the Council continued to commission SIAP to provide assurance over the core financial and business operations, including those outsourced to Capita.

In order to audit the outsourced systems, SIAP requested information from the Autumn of 2018 onwards. Unfortunately, with regards to the Human Resources, Payroll and Overtime and Expenses audits, insufficient information was received in order to complete the reviews for the 2018/19 Internal Audit Opinion and Report (either through late provision of information, information being insufficiently complete or detailed when provided or where information was not provided). SIAP cannot therefore provide assurance over the Council’s Human Resources, Payroll and Overtime and Expenses systems for 2018/19.

In accordance with the Public Sector Internal Audit Standards, reliance can be placed on the work of other assurance and consulting service providers when forming the annual opinion. One such assurance source would be the International Standards for Assurance Engagements (ISAE) 3402, Service Organisation Controls (SOC) Type 2 report. The ISAE 3402 report has been requested from Capita but has not been received at the time of reporting.

Limited Assurance Opinion – Accounts Receivable / Debt Management – Sundry Debtors (Draft): Whilst appropriate arrangements are in place for the raising invoices and receipt of income for sundry debtors, issues were identified with debt recovery. The audit found that there were no formalised debt recovery processes and debt reminder letters had not been issued during 2018-19. There are three KPIs in respect of the service however only one is currently reported upon and none relate specifically to debt levels, or the timeliness / success of recovery action. The audit did not include invoice raising, collection and debt recovery arrangements for Council Tax and Business Rates as these were covered separately in 2017/18. **Update:-** Management actions are in the process of being identified and agreed. We have also been informed that following completion of the audit fieldwork, initial and follow up sundry debt chasing letters have now been issued.

6. Anti Fraud and Corruption

Havant Borough Council is committed to high standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its' reputation and image. Policies and strategies are in place setting out the Council's approach and commitment to the prevention and detection of fraud and corruption.

During the year the Southern Internal Audit Partnership have proactively engaged with the Council in:

- Delivery of fraud awareness and cybercrime training to officers;
- A fraud focused review of the processes for Blue Badges;
- Facilitation of National Fraud Initiative (NFI) uploads and data matching;
- Completion of the CIPFA fraud survey; and
- Provision of general fraud consultancy and advice.

There were no incidents reported for formal investigation by Internal Audit during 2018-19.

7. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years.

In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

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.”

In accordance with PSIAS, annual self assessment have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.




9. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2018-19 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Annual performance indicators			
Aspect of service	2017-18		2018-19
	Actual		Actual
Revised plan delivered (to draft report stage)	96%		100 %
Positive customer responses to quality appraisal questionnaires *	96%		99 %
Compliant with the Public Sector Internal Audit Standards	Yes		Yes

*Customer satisfaction has been assessed through response to questionnaires issued to a wide range of stakeholders including Members, senior officers and key contacts.

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout Havant Borough Council with whom we have made contact in the year. Our relationship has been positive and management were responsive to the comments we made both informally and through our formal reporting.

Antony Harvey
 Deputy Head of The Southern Internal Audit Partnership
 June 2019