

Internal Audit Progress Report

September 2018

Havant Borough Council

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 organisations 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 all 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
*Insurance	01/04/16	CFO	Adequate	2 (0)	0 (0)	0 (0)	2 (0)	0 (0)
Local Government Transparency Code 2015	06/05/16	CFO	Adequate	7 (3)	0 (0)	1 (0)	6 (3)	0 (0)
*Procurement	13/10/16	HoSC	Adequate	5 (3)	0 (0)	0 (0)	5 (3)	0 (0)
*Accounts Payable	11/01/17	CFO	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Business Continuity Planning / Disaster Recovery	30/01/17	HoOD	Adequate	9 (1)	0 (0)	6 (1)	3 (0)	0 (0)
*Health and Safety	06/03/17	HoOD	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
Information Governance	26/04/17	HoPRQ	Limited	19 (7)	0 (0)	4 (0)	15 (7)	0 (0)
*Main Accounting	27/04/17	CFO	Substantial	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Developers Obligations and Contributions / Community Infrastructure Levy (CIL)	15/06/17	HoP	Adequate	9 (5)	0 (0)	2 (0)	7 (5)	0 (0)
*Norse South East – Governance Arrangements	19/06/17	HoSC	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Risk Management	26/06/17	HoPRQ	Adequate	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
Proactive Fraud Initiatives (Mobile Devices)	12/12/17	HoPRQ	Adequate	6 (0)	0 (0)	5 (0)	1 (0)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
NNDR	08/01/18	HoCS	Adequate	2 (0)	0 (0)	2 (0)	0 (0)	0 (0)
*Governance Arrangements (6 Council Transition)	24/01/18	HoSC	Limited	16 (15)	0 (0)	0 (0)	16 (15)	0 (0)
Strategic Planning (Fit for Future)	28/02/18	HoOD	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)
Treasury Management	18/06/18	CFO	Limited	6 (0)	0 (0)	2 (0)	4 (0)	0 (0)
Accounts Payable	06/07/18	CFO	Adequate	13 (2)	0 (0)	1 (0)	13 (2)	0 (0)
Norse South East – Governance Arrangements	24/07/18	HoSC	Adequate	9 (0)	0 (0)	8 (0)	1 (0)	0 (0)
Norse South East – Emergency Planning Arrangements	24/07/18	HoSC	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)
HR / Payroll	21/08/18	HoOD / CFO	Adequate	4 (0)	0 (0)	1 (0)	3 (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	HoP
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 – 31.08.18
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	5 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	6 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.)

**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.’

***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.

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 ✗ 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 (currently finalising management actions)
Norse South East – Governance Arrangements	HoSC	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion
Norse South East – Emergency Planning Arrangements	HoSC	✓	✓	✓	✓	✓	Adequate	✓	17/18 Opinion

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Norse South East – Assurance Mapping	HoSC	✓	✓	✓				✓	Assurance mapping exercise now being undertaken following recent receipt of reports from Norse Group
2018-19 Reviews									
Corporate / Cross Cutting									
Partnership Management (Client Relationship Team)	CRD	✓						✓	
Strategic Planning (Fit for Future)	HoOD / HoCS							✓	Q3
Human Resources	HoOD							✓	Q3
Risk management	HoPRQ	✓						✓	
Commercial Activities	HoCD							✓	Q4
Partnership Management (Horizon Leisure Trust)	HoSC	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Contract Management Arrangements	HoSC	✓	✓					✓	
Procurement	HoSC	✓	✓	✓				✓	
Insurance	CFO	✓	✓	✓				✓	
Corporate Governance									
Proactive Fraud Initiatives (Blue Badges)	CFO	✓						✓	
CIPFA Fraud Survey	CFO	✓	n/a	✓	n/a	✓	n/a	✓	
National Fraud Initiative (NFI)	CFO	n/a	n/a	✓				✓	
Information Governance	HoPRQ							✓	Q3
6 Council's Governance Framework	HoSC	✓	✓	✓	✓	✓	n/a	✓	All actions agreed in 17/18 audit are now complete.
Financial Management									
Accounts Payable	CFO							✓	Q3/Q4

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Accounts Receivable / Debt Management	CFO							✓	Q3/Q4
Main Accounting	CFO							✓	Q3/Q4
Financial Planning / Budgetary Control	CFO							✓	Q3/Q4
Payroll	CFO							✓	Q3/Q4
Payroll / HR Data Migration	CFO / HoSC	✓	✓	✓				✓	
Benefits	HoCS	✓	✓	✓				✓	
Overtime and Expenses	CFO / HoOD							✓	Q3/Q4
De-Commissioning of Civica Financials	CFO	✓	✓	✓				✓	
Accounts Payable (Non-PO's)	CFO	✓	✓	✓				✓	
Information Technology									
ICT provision	HoPRQ	✓	-	✓				✓	Advisory role
Corporate Objectives									
Land Charges	HoCS							✓	Q3

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Private Sector Housing	HoHCE							✓	Q4
Traffic Management	HoNS	✓	✓	✓				✓	
Regeneration / Economic development	HoD							✓	Q4
Other									
VAWGF Grant Certification	HoNS	✓	n/a	✓				✓	n/a review of grant conditions