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GOVERNANCE & AUDIT COMMITTEE AGENDA

Membership: Councillor Smith K (Chairman)

Councillors Davis, Mackey, Pike, Rees and Lenaghan

Meeting: Governance & Audit Committee

Date: Wednesday 29 June 2016

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

21 June 2016

Contact Officer: Nicholas Rogers 023 9244 6233
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To receive apologies for absence.	
2 Minutes	1 - 4
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3 Matters Arising	
To consider any matters arising from the minutes of the previous meeting.	
4 Declarations of Interest	

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GENERAL INFORMATION

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Havant

BOROUGH COUNCIL

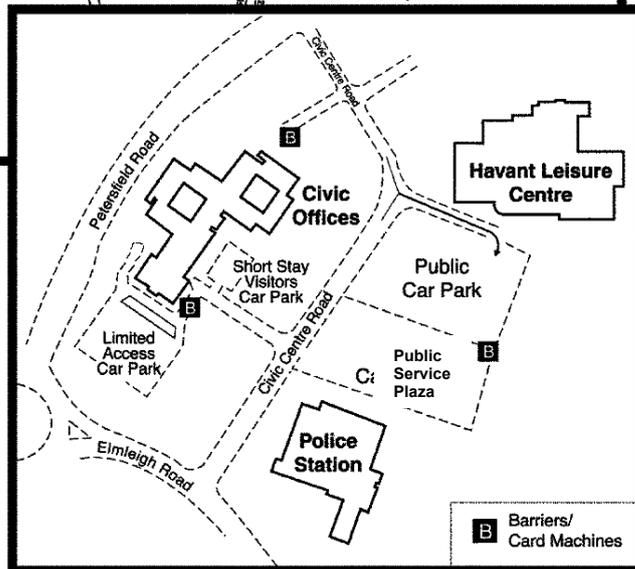
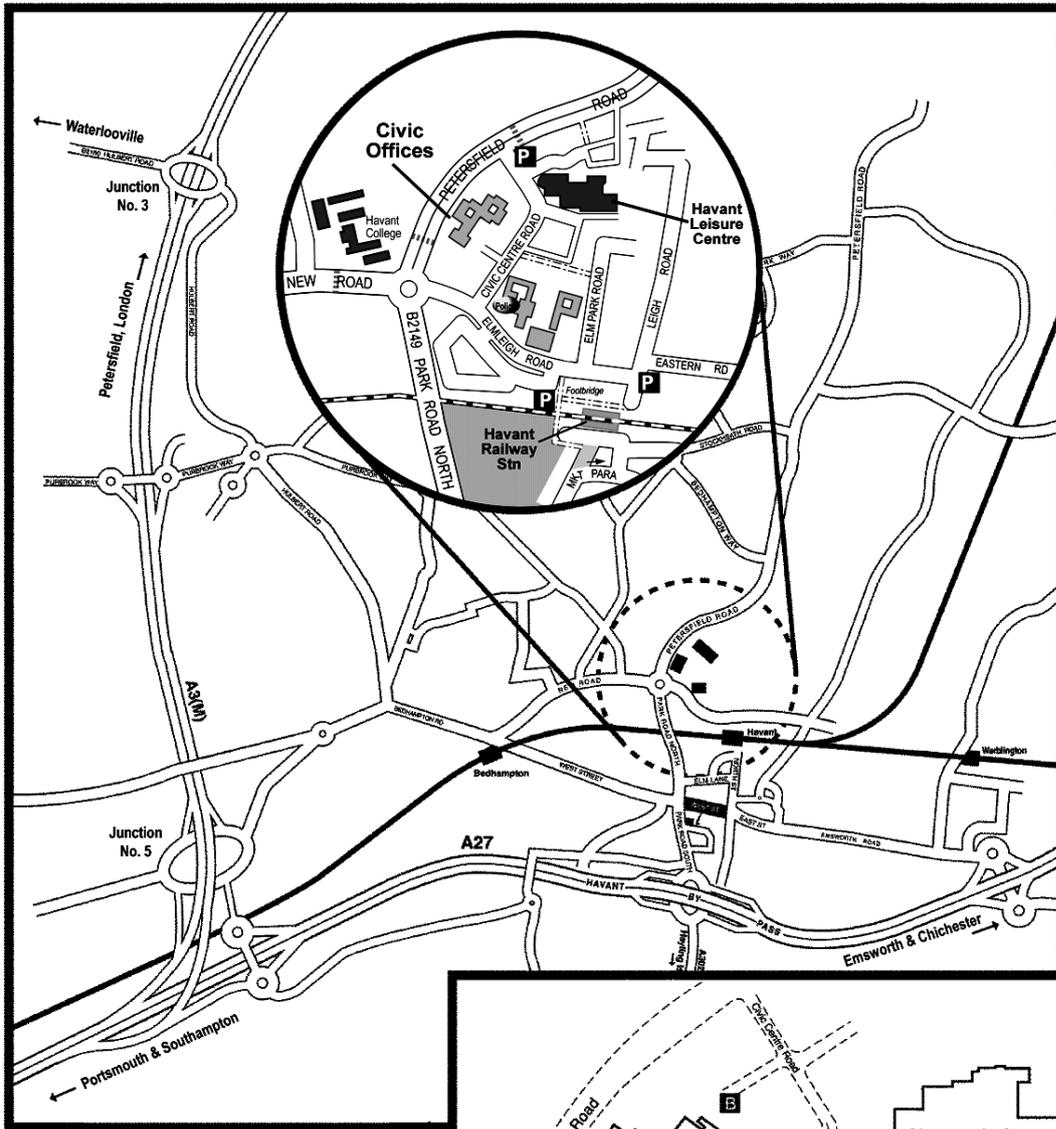
PROTOCOL AT MEETINGS – RULES OF DEBATE

Rules of Debate

- Councillors must always address each other as “Councillor ...” and must always address the meeting through the Chairman;
- A motion must relate to the business included on the agenda or accepted by the meeting as urgent business
- A motion must be proposed and seconded before it is debated until it is either accepted or rejected by a vote;
- An amendment can be proposed to the original motion and this must be seconded before it is debated;
- An amendment cannot be considered if it is inconsistent with an amendment previously adopted or repeats an amendment previously rejected;
- The mover of an original motion may, with the consent of the mover of an amendment, incorporate an amendment into the motion;
- Only one amendment may be moved at a time. No further amendments can be moved until the previous amendment has been dealt with;
- Each amendment must be voted on separately;
- If an amendment is carried, the amended motion becomes the substantive motion to which further amendments may be moved;
- If an amendment is lost, other amendments may be moved to the original motion.
- The mover may withdraw an amendment at any time
- After an amendment has been carried, the Chairman will read out the amended (substantive) motion, before accepting any further amendment, or if there are none, put it to the vote.

Voting

- Voting may be by a show of hands or by a ballot at the discretion of the Chairman;
- Councillors may not vote unless they are present for the full duration of the item;
- Where there is an equality of votes, the Chairman may exercise a second (casting) vote;
- Two Councillors may request, before a vote is taken, that the names of those voting be recorded in the minutes
- A recorded vote will always be taken in respect of approval of the Annual Budget
- Councillors may not vote unless they are in the meeting for the full debate on any particular item
- A Councillor may request that his/her vote be recorded in the minutes



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HAVANT BOROUGH COUNCIL

At a meeting of the Governance & Audit Committee held on 2 March 2016

Present

Councillor Smith K (Chairman)

Councillors Shimbart (Standing Deputy), Mackey, Hart, Perry and Pike

34 Apologies

Apologies for absence were received from Councillor Rees and Councillor Pierce-Jones.

35 Minutes

RESOLVED that the minutes of the meeting of the Governance and Audit Committee held on 2 December 2015 be approved as a correct record.

36 Matters Arising

There were no matters arising.

37 Declarations of Interest

There were no declarations of interest from any of the members present.

38 Chairman's Report

There were no matters the Chairman wished to report to the Committee.

39 External Audit Papers

The Committee considered three papers presented by Ernst and Young LLP. Ian Young and Emily Farley of Ernst and Young LLP joined the meeting for the debate on this item and answered members' questions in connection with the reports.

The Governance and Audit Committee Progress Report provided an overview on the final position against the Council's 2014/15 audit plan, and the initial plans for the 2015/16 audit.

The Annual Certification Report 2014-15 summarised the results of Havant Borough Council's 2014-15 claims.

The Local Government Audit Committee Sector Briefing covered some of the current issues facing the Local Government sector.

The external auditors highlighted the shortening time periods for both producing accounts and in carrying out the audit going forward, and that work was under way to ensure these shorter timeframes are met. The Committee was advised to review the governance process in light of these shorter deadlines.

RESOLVED that the Governance and Audit Committee Progress Report 2015, Annual Certification Report 2014-15 and Local Government Audit Committee Sector Briefing from external auditors be noted.

40 Internal Audit Progress Report 2015-16 (January 2016)

The Committee considered a paper presented by Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership, who joined the meeting for the debate on this item and answered members' questions in connection with the report.

The paper provided an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and an overview on the status of 'live' reports.

RESOLVED that the Internal Audit Progress Report 2015-16 be noted.

41 Internal Audit Plan 2016-17

Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership presented the Committee with Havant Borough Council's Internal Audit Plan 2016-17.

The Plan aimed to assure the Committee that the framework of internal control, risk management and governance is appropriate and operating effectively, and that risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

During the debate, an error in the report was highlighted in relation to the transfer of ICT services to the new 5 Districts contract. The reference in Appendix 1 of the report to be amended to read "It is anticipated that ICT will be transferred to a new 5 Councils contract from October 2017 or earlier".

RESOLVED that the Internal Audit Plan 2016-17 be approved subject to an amendment to Appendix 1 in relation to the transfer of IT services to the new 5 Districts Contract to read:

"It is anticipated that ICT will be transferred to a new 5 Councils contract from October 2017 or earlier. Audit involvement is required early in the process to ensure the transition plans are robust and comprehensive."

*Governance & Audit Committee (2.3.16)***42 Internal Audit Charter 2016-17**

Antony Harvey and Amanda Chalmers of the Southern Internal Audit Partnership presented the Committee with the Internal Audit Charter for 2016/17.

The Committee were advised that the Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards.

During the course of the discussion, an assurance was given that the Committee would receive an update at its next meeting on the extent of the roles and responsibilities of internal audit in relation to the NORSE JVC post-implementation.

RESOLVED that the Internal Audit Charter 2016-17 be approved.

43 Quarterly Update on Corporate Risks from the Executive Board

The Committee considered a report from the Executive Head for Governance and Logistics providing an update on the highest corporate risks reviewed by the Joint Executive Board on 9 February 2016.

RESOLVED that the most serious corporate risks reviewed by the Joint Executive Board on 9 February 2016 be noted.

44 Monitoring Officer's Update

The Monitoring Officer informed the Committee that there were currently no outstanding Code of Conduct complaints. The Committee was also informed that the Constitution was currently being amended to reflect the recent Senior Management Resourcing Review.

At the conclusion of the meeting, the Chairman took the opportunity to thank Jane Eaton on behalf of the Committee for her support and contribution to the work of the Committee and wished her well for the future.

The meeting commenced at 5.00 pm and concluded at 5.44 pm

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Havant Borough Council

Year ending 31 March 2016

Audit Plan

March 2016

Ernst & Young LLP



Building a better
working world

Governance & Audit Committee
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

9 March 2016

Dear Committee Members

Audit Plan

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 Committee with a basis to review our proposed audit approach and scope for the 2015/16 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.

We welcome the opportunity to discuss this Audit Plan with you on 29 June 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain
For and on behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

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 from 1 April 2015' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Governance & Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

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 2016 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 returns.

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

When 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.

In sections two and three of this plan we provide more detail on the identified risks and we outline our plans to address them. Our proposed audit process is set out in more detail in section four.

We will provide an update to the Governance & Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK and Ireland) 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.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; ▶ evaluating the business rationale for significant unusual transactions; and ▶ Evaluating the appropriateness of accounting policies against Code guidance and for changes from the prior period.
New financial system	
<p>The Council implemented a new financial system in October 2015. ISA (UK and Ireland) 315 requires us to obtain an understanding of the relevant controls within each of the financial systems in operation in the current financial year.</p> <p>Additionally, data has been migrated from the old system and there is a risk that the data might not be complete. Specifically we have noted that certain transaction dates migrated in English format from the old finance systems have defaulted to an American format in the new Civica system.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ confirming our understanding of the old system and forming and initial understanding of the new systems in operation by undertaking additional walkthrough testing; ▶ undertaking detailed testing of the data migration process, specifically ensuring that there are no data migration issues from the incorrect date format that the system has used as a default; and ▶ ensuring the completeness of individual account balances.
Other financial statement risks	
Capacity of the finance team	
<p>The Council is embarking on a reorganisation of the senior management team and there are interim arrangements to cover the Section 151 Officer who left in March. There is a concern that this may increase the burden on operational finance staff which will impact upon the quality of financial information presented for audit.</p> <p>Additionally, as the Council moves towards the implementation of the new corporate services contract there is risk that finance staff may leave the Council. This could result in the Council having insufficient resource to deliver the financial statements in line with the agreed audit timetable, and cause delays in responding to audit queries.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ monitoring the quality and accuracy of the financial statements and supporting working papers that are presented for audit; ▶ having regular discussions with key officers to ensure that any delays are communicated at an early stage ▶ identifying opportunities to bring our work forward

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether

caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

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.

For 2015/16 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.

In 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 which 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.

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. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion

Significant value for money risks	Our audit approach
Partnership working	
<p>Corporate Services Contract</p> <p>The Council has tendered for a new corporate services contract with four other local authorities. The procurement is for two lots, one for data based services and one for property based services. The contracts are for a period of up to 9 years to 30 September 2025, with forecast savings of £50.65m across the five councils.</p> <p>These contracts are due to start in the 2016/17 financial year (2017/18 at Havant Borough Council); however the contracts have been procured and entered into in 2015/16.</p> <p>We consider there to be a significant risk to our value for money conclusion in relation to the procurement of the contracts and in establishing the governance arrangements between the Councils.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ reviewing the evaluation process for awarding the preferred supplier for both lots; and ▶ the adequacy of the proposed governance arrangements of both arrangements.
<p>Norse South East</p> <p>The Council has also entered into partnership with Norse</p>	

Commercial Services and developed a Joint Venture Company called Norse South East. Norse South East will be providing operational Services from April 2016 dealing with refuse and recycling collections, street cleaning, grounds maintenance and beach management.

We consider there to be a significant risk to our value for money conclusion in relation to the procurement of the contracts and in establishing the governance arrangements between the Council and the Joint Venture Company.

Financial sustainability

Like other local government bodies the Council continues to face financial challenges over the medium term. The Council must save circa £4 million over the next four years.

The Council continues to seek alternative solutions to ensure that local services can be maintained and supported in the future, in line with local need.

A clear focus on addressing high cost areas is therefore essential to the economy, efficiency and effectiveness of services delivered and the overall financial resilience of the Council.

Our approach will focus on:

- ▶ Use of PSAA's value for money profile tool to assess Council spending against similar councils.
- ▶ Review and assess the updated assumptions within the Council's 2016/17 budget and medium term financial plan.
- ▶ Consider progress made on solutions to secure longer term financial balance, for example Norse South East and the Corporate Services Contract.

4. Our audit process and strategy

4.1 Objective and scope of our audit

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 and Ireland).

Alongside our audit report, we also review and report to the NAO on the Council's Whole of Government Accounts returns to the extent and in the form they require;

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.

4.2 Audit process overview

Processes

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to test key controls:

- ▶ accounts receivable;
- ▶ payroll; and
- ▶ housing benefit

We have also identified the following key processes which we will seek to test substantively:

- ▶ cash and Bank;
- ▶ business rates;
- ▶ council tax;
- ▶ financial statements close process
- ▶ treasury management;
- ▶ accounts payable;
- ▶ property, plant and equipment; and
- ▶ pensions

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries and payroll transactions. 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 Committee.

Internal audit

As in prior years, we will 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 we raise issues that could have an impact on the year-end financial statements.

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 areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, Plant and Equipment	The Councils' external valuer and EY valuations team
Pensions	Pension scheme actuary and EY pensions team

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.

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

- ▶ analyse source data and make inquiries as to the procedures used by the expert 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.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must 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.

Procedures required by standards

- ▶ 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 returns, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined at the planning stage that overall materiality for the financial statements of the Council is £1.33m based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £66,580 to you.

The 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 the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 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. PSAA has published a scale fee for all relevant bodies. 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 NAO Code. The indicative fee scale for the audit of the Council is £46,800.

4.6 Your audit team

The engagement team is led by Andrew Brittain, who has significant experience auditing local authorities. Andrew Brittain is supported by Ian Young and Emma Bryant who are responsible for the day-to-day direction of audit work and are the key point of contact for the Corporate Accountancy Team Leader.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Governance & Audit Committee. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Governance & Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Governance & Audit Committee timetable	Deliverables
High level planning	April 2015	-	Audit Fee Letter (issued July 2015)
Risk assessment and setting of scopes	February - April 2016	June 2016	Audit Plan
Testing routine processes and controls	February - April 2016	June 2016	Verbal update if required
Year-end audit	July - August 2016	September 2016	Audit Results Report
Completion of audit	September 2016	September 2016	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2016	November 2016	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ 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. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, 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 we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services;

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 are disclosed analysed in appropriate categories.

5.2 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 any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; 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 the Council.

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 the Council have approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing we have not undertaken any non-audit services.

A self-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 the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 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.

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

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions 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.

Overall Assessment

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

5.3 Other required communications

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 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 June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	46,800	46,800	65,519	Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA. We will consider the impact on the fee of the work required to address significant risks and report this in our audit results report in September 2016.
Total Audit Fee – Code work	52,830	52,830	65,519	
Certification of claims and returns	9,240	9,240	17,840	Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.
Non-audit work	0	0	0	

All fees exclude VAT.

The agreed fee presented above is based on the following assumptions:

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ the operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ we can rely on the work of internal audit as planned;
- ▶ our accounts opinion and value for money conclusion being unqualified;
- ▶ appropriate quality of documentation being provided by the Council; and
- ▶ the Council having 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.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Governance & Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	<p>▶ Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ 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 	<p>▶ Report to those charged with governance</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	<p>▶ Report to those charged with governance</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Governance & Audit Committee 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 	<p>▶ Report to those charged with governance</p>
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 	<p>▶ Report to those charged with governance</p>
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>▶ Report to those charged with governance</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ 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 Committee 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 Committee may be aware of 	<p>▶ Report to those charged with governance</p>

Required communication	Reference
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<ul style="list-style-type: none"> ▶ Annual Report to those charged with governance summarising grant certification

EY | Assurance | Tax | Transactions | Advisory

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Annual Internal Audit Report & Opinion

2015 - 16

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 2013 [the Standards].

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. 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 Head of the Southern Internal Audit Partnership and will depend on the:

- level of assurance required;
- significance of the objectives under review to the organisations 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 Head of the Southern Internal Audit Partnership 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 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.

Audit Opinion

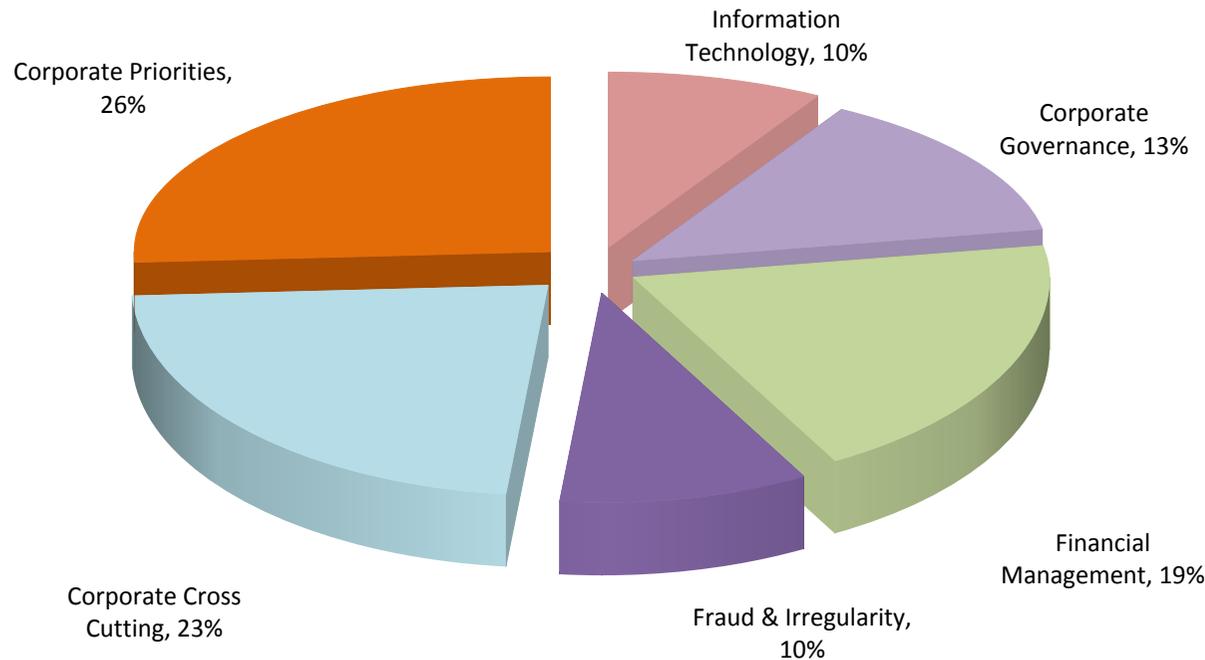
I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Havant Borough Council's internal control environment.

In my opinion, Havant Borough Council's framework of governance, risk management and management 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 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 2015-16 Internal audit plan, approved by the Governance and Audit Committee 03 March 2015, 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.

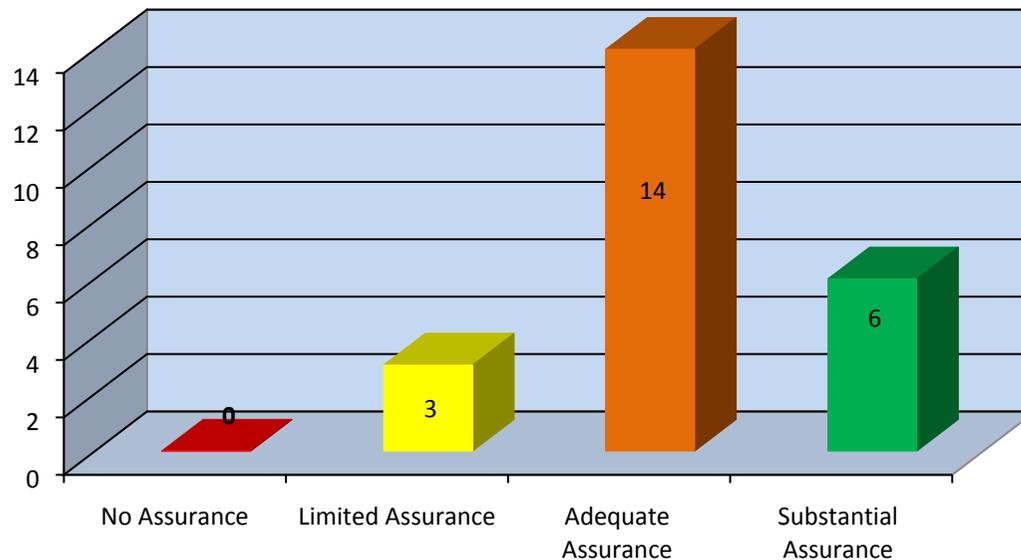
The Southern Internal Audit Partnership delivered 31 review areas over the course of the year ending 31 March 2016 including the completion of carry forward reviews.

The 2015-16 internal audit plan has been delivered with the following exceptions:

- Work is complete and an opinion has been formed for three reviews included in the chart below, however, final reports have not yet been agreed with management (Contract Management, Accounts Receivable/Debt Management, Asset Management);
- Fieldwork is currently in progress for one review (Procurement) and this has therefore not been included within this assurance opinion.

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:

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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.

*7 reviews did not culminate in an audit opinion as they relate to work conducted in respect of consultancy, assurance mapping or fraud & irregularity investigations/pro-active fraud work

5. Significant Issues Arising

Human Resources

The audit focussed on starter and leaver processes, the production of management information and record retention /compliance with the Data Protection Act.

Starter and leaver processes are effective and timely however testing confirmed that key documentation was not always being obtained or retained on the personnel files. In particular, the legislative duty to verify entitlement to work in the UK was either not evidenced or correctly documented in 33% of cases tested.

The HR performance information, being reported to senior management and Members quarterly, is linked to the relevant Marketing and Development Business Plan targets and supplied on a timely basis. However, there were inaccuracies and inconsistencies in the figures being reported.

Following the conclusion of the audit, we are pleased to note that 15 of the 16 actions (including all 8 high priority actions), agreed to address the issues identified during this review, have been implemented. In particular, action has been taken to address the retention of records, including the verification of entitlement to work in the UK and the consistency and accuracy of the management information produced for senior managers & Members. The outstanding action relates to reviewing and updating the current recruitment policy. A follow up review is planned for 16/17.

Procurement – Operational Services

This review was requested by the management team following concerns with procurement practices within Operational Services. The review, covering both revenue and capital spend, focussed on the understanding and definition of procurement requirements; and compliance with EU, UK, internal contract procedure rules, existing corporate contracts and /or framework agreements.

We reviewed Contract Procedure Rules (CPR) during the audit and confirmed that most procurement complied with CPR. However, based upon the planned Capital Programme, we noted that aggregation rules had been breached and an EU tendering exercise should have been undertaken for the acquisition of plant and vehicles. At the time of the review, the capital programme (2014/15 £356k; 2015/16 £628k and 2016/17 £725k) indicated there was a defined anticipation of need, which should have been used to aggregate purchases, that exceeded the EU threshold for supplies and services (£172,514 from 1 January 2014). We also considered that aggregating purchases could potentially achieve better prices than the piecemeal approach to purchasing that had been adopted.

We carried out an analysis of revenue purchasing data over the past four years, and checked to existing contracts and framework agreements. We found that there are few formally documented contracts in place. The level of purchasing is such that more formal arrangements would be expected, especially with regard the use of employment agencies, where Operational Services are a major purchaser within the context of the Authority's overall spend. For the latest full year of expenditure (14/15), over £398k was spent by Operational Services with employment agencies, breaching the EU procurement threshold.

As part of our testing of capital purchases we were informed that there have been operational issues with the ten 3.5 Tonne cage tipper trucks which were added to the fleet over the period December 2008 to March 2014. However, there was insufficient evidence retained to demonstrate whether there was adequate specification to meet the requirements such as consultation with service users, whole life costings and market research. We are therefore unable to provide assurances that there is a robust process for developing such specifications.

We are pleased to note that all management actions resulting from this review have been implemented which should help prevent the risk of reoccurrence of procurement issues in the future, in particular in relation to compliance with internal, UK and EU procurement regulations.

Depot Services (Stock Control) 2014-15

A review of stock control at the depot concluded with a 'limited' assurance opinion however the issues raised, and responsibility for addressing the issues, have transferred to the new partnership arrangements with Norse South East.

6. Anti Fraud and Corruption

The Council is committed to the highest possible 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 or corruption.

The Council continues to conform to the requirements of the National Fraud Initiative (NFI). The NFI matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information analysed that indicate a fraud, an error or an overpayment may have taken place, signalling the need for review and potential investigation. The Cabinet Office assumed responsibility for the National Fraud Initiative following the demise of the Audit Commission in March 2015.

Dataset	Recommended matches	Matches investigated	Investigations in progress	Frauds / error identified	Fraud / error value £
Benefits	258	835	47	0	0
Payroll	1	12	0	0	0
Creditors	288	1,065	47	7	1,785.79
Single person discount (14/15)	964	0	0	0	0
Rising 18s (14/15)	172	172	0	29	6,785.39
Single person discount (15/16)	587	0	0	0	0
Rising 18s (15/16)	91	0	0	0	0
Council tax to other data	2,132	0	0	0	0

As part of the 2014/15 NFI exercise the Council submitted required data sets in October 2014 receiving feedback on potential matches in February / March 2015. Work was carried out during 2015/16 to review identified 'recommended matches' for fraudulent activity. The outcomes from review of the NFI matches is detailed in the table above.

In addition, we have assessed and where appropriate, advised, investigated or supported the investigation of any allegations of fraud, corruption or improper practice. In accordance with the Local Government Transparency Code 2015 the details of internal audits involvement in counter fraud work is summarised below:

Local Government Transparency Code 2015	01.04.15 – 31.03.16
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	2 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	5 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, housing benefits 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.'*

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 a 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.

The Standards stipulate that ‘internal assessments’ should be undertaken as a self-assessment or by other persons within the organisation with sufficient knowledge of internal audit processes.

In September 2015 the Institute of Internal Auditors were commissioned to complete an external assessment of the Southern Internal Audit Partnership.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

The assessment included review of a wide range of documentary evidence and interviews and surveys with representative stakeholders (including Chief Executives, Audit Chairs and S151 Officers) across existing partnering organisations in addition to members of the Southern Internal Audit Partnership staff.

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 these principles. **This performance is within the top decile of EQA reviews we have performed.** This is a notable achievement given the breadth of these Standards and the operational environment faced by 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.

Assessment against the Standards was assessed as:

Summary of Conformance	Standards	IPPF	PSIAS	LGAN	N/A	Total
		Generally Conforms	Generally Conforms	Generally Conforms		
Definition of IA and Code of Ethics	Rules of conduct	5	11	-		16
Purpose	1000 – 1130	7	30	18	2	57
People	1200 – 1230	4	13	4		21
Performance	1300 – 1322	7	11	9	2	29
Planning	2000 – 2130	12	55	11		78
Process	2200 – 2600	21	103	18		142
Total		56	223	60	4	343

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 2015-16 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;
- Registration under British Standard BS EN ISO 9001:2008, the international quality management standard complimented by a comprehensive set of audit and management procedures; and
- Review and quality control of all internal audit work by professional qualified senior staff members.

10. Internal Audit Performance

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

Annual performance indicators			
Aspect of service	2014-15 Actual (%)		2015-16 Actual (%)
Revised plan delivered (including carry forward)	93		97*
Positive responses to customer survey	-	-	97**
Compliant with the Public Sector Internal Audit Standards	Yes		Yes

*attributable to one review where fieldwork remains in progress

**this is based on the feedback from the customer survey conducted as part of the external quality assessment and as such reflects the perceptions across the Partnership, rather than those expressed specifically by Havant Borough Council.

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.

Neil Pitman
 Head of Southern Internal Audit Partnership
 June 2016

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE & AUDIT COMMITTEE

29 June 2016

Quarterly Update on Corporate Risks from the Executive Board

Report by Cheryl Lincoln, Governance and Information Manager

FOR NOTING

Cabinet Lead for Governance & Logistics

Key Decision: N/A

1.0 Purpose of Report

1.1 Risk is a part of life and of business. If the Council avoided risk it would not be able to deliver its services or achieve its ambitions outlined in the Corporate Strategy. Risk management is a way of understanding, evaluating and mitigating risks to ensure we can achieve the Council's objectives.

- A 'risk' is a specific thing that might cause harm to the business
- 'Risk management' is a good governance process to understand the threats to the business and put in place processes and actions that will bring greater safety and reduce risk
- Inclusion of a risk on the risk register does not mean that managers believe that the risk will happen
- The entry on the risk register will include an assessment of (a) the likelihood and (b) the impact of a risk, as well as the actions and processes in place to reduce both risk and impact

1.2 Efficient organisations have clear frameworks and processes led from Board level. The Council's Constitution names the Governance & Audit Committee as the Councillor board responsible for managing risk.

1.3 The details of how the Council manages risk are outlined in the statement of arrangements for managing risk. The Governance & Audit Committee reviews this statement every year in June. In their role as the Councillor body overseeing the way Council officers manage risk the Governance & Audit Committee reviews the highest risks remaining in the Council after each management meeting.

1.4 This report gives the Committee an update on the highest corporate risks reviewed by the Executive Board in June 2016.

2.0 Recommendation

NON EXEMPT

2.1 The Committee notes the most serious corporate risks reviewed by the Executive Board on 14 June 2016.

3.0 Summary

3.1 This report tells the Committee about the risks the Executive Board felt remained high after mitigation at their last review meeting.

4.0 Subject of Report

4.1 To oversee the effectiveness of risk management the Governance & Audit Committee note the most important risks facing the Council at the last quarterly review of the risk registers by the Executive Board. The last quarterly review was on 14 June 2016.

4.2 There are no risks showing red on our corporate risk register after mitigation. Whilst not 'red' there are two risks which the organisation is closely monitoring as it is now within the organisations gift to fully mitigate, we are reliant on government agencies:

- Funding Losses – Reductions in government funding e.g. New Homes Bonus and reductions in council tax and the review of business rates may lead to difficulties balancing the Councils budget and insufficient funds to deliver services. Medium term financial planning, structured budget setting, implementation of the Corporate Strategy programme will help to mitigate and work is currently underway on long term financial planning. This risk remains high as losses from further austerity are unclear and part of the councils funding is based on government grants.
- Budget reduction – we could face a significant increase in LGPS contributions from next year following the results of a pension scheme valuation process currently underway. Budgeting is currently underway to anticipate an increase which will be developed throughout the year. Actual increase will not be known until quarter 4 2016/17.

4.3 Following this review, the remaining risks have either been further mitigated or remain unchanged.

5.0 Implications

5.1 Resources:

There are no resource implications of this report because risk management is one of the regular funded functions of the management of the Council.

5.2 Legal:

There are no legal implications arising from this report.

NON EXEMPT

5.3 **Strategy:**

Sound risk management supports the Council's objective of financial sustainability by ensuring financial risks are controlled and customer service excellence by ensuring the continuity of our services.

5.4 **Risks:** (Environmental, Health & Safety and Customer Access Impact Assessment)

This report forms part of the Council's risk management arrangements.

5.5 **Communications:**

There is no need for communications following this report.

5.6 **For the Community:**

There is no community impact from this report but it will assist in ensuring the community continue to receive vital council services.

5.7 **The Integrated Impact Assessment (IIA)** is not needed for this report because it does not contain a decision.

6.0 **Consultation**

Executive Board.

Background Papers:

None

Agreed and signed off by:

Head of Legal Services: 6th June 2016

Head of Customer Services: 14th June 2016

Head of Finance: 14th June 2016

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