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## GOVERNANCE & AUDIT COMMITTEE AGENDA

**Membership:** Councillor Smith K (Chairman)

Councillors Davis, Lenaghan, Rees, Seal and Wade

**Meeting:** Governance & Audit Committee

**Date:** Wednesday 8 March 2017

**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

28 February 2017

Contact Officer: Nicholas Rogers 023 9244 6233  
Email: [nicholas.rogers@havant.gov.uk](mailto:nicholas.rogers@havant.gov.uk)

	Page
<b>1 Apologies</b>	
To receive apologies for absence.	
<b>2 Minutes</b>	<b>1 - 4</b>
To confirm the minutes of the Governance and Audit Committee held on 30 November 2016 and of the Extraordinary Governance and Audit Committee held on 20 February 2017.	
<b>3 Matters Arising</b>	
To consider any matters arising from the minutes of the previous meeting.	

<b>4</b>	<b>Declarations of Interest</b>	
<b>5</b>	<b>Chairman's Report</b>	
<b>6</b>	<b>External Audit Papers</b>	<b>5 - 12</b>
	To note the Annual Certification Report 2015-16 from external auditors.	
<b>7</b>	<b>Internal Audit Progress Report 2016-17 (January 2017)</b>	<b>13 - 26</b>
<b>8</b>	<b>Internal Audit Plan and Fraud &amp; Corruption Risk Plan 2017/18</b>	<b>27 - 50</b>
<b>9</b>	<b>Internal Audit Charter 2017/18</b>	<b>51 - 60</b>
<b>10</b>	<b>Changes to the Councillor Code of Conduct</b>	<b>To Follow</b>
<b>11</b>	<b>Monitoring Officer's Update</b>	

## **GENERAL INFORMATION**

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# Havant

## BOROUGH COUNCIL

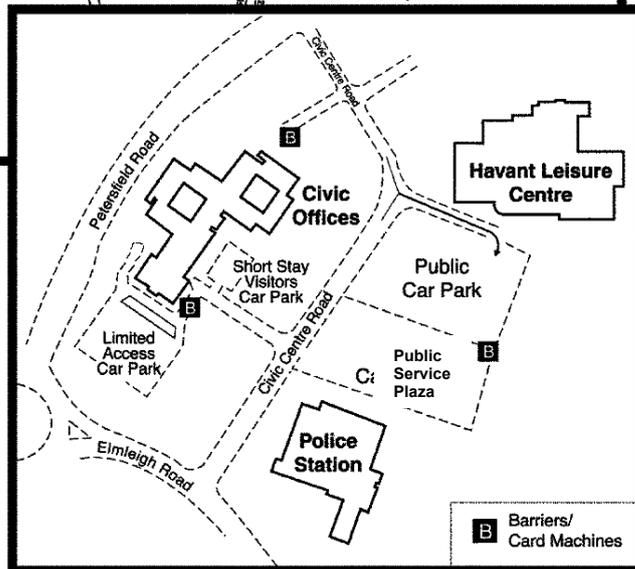
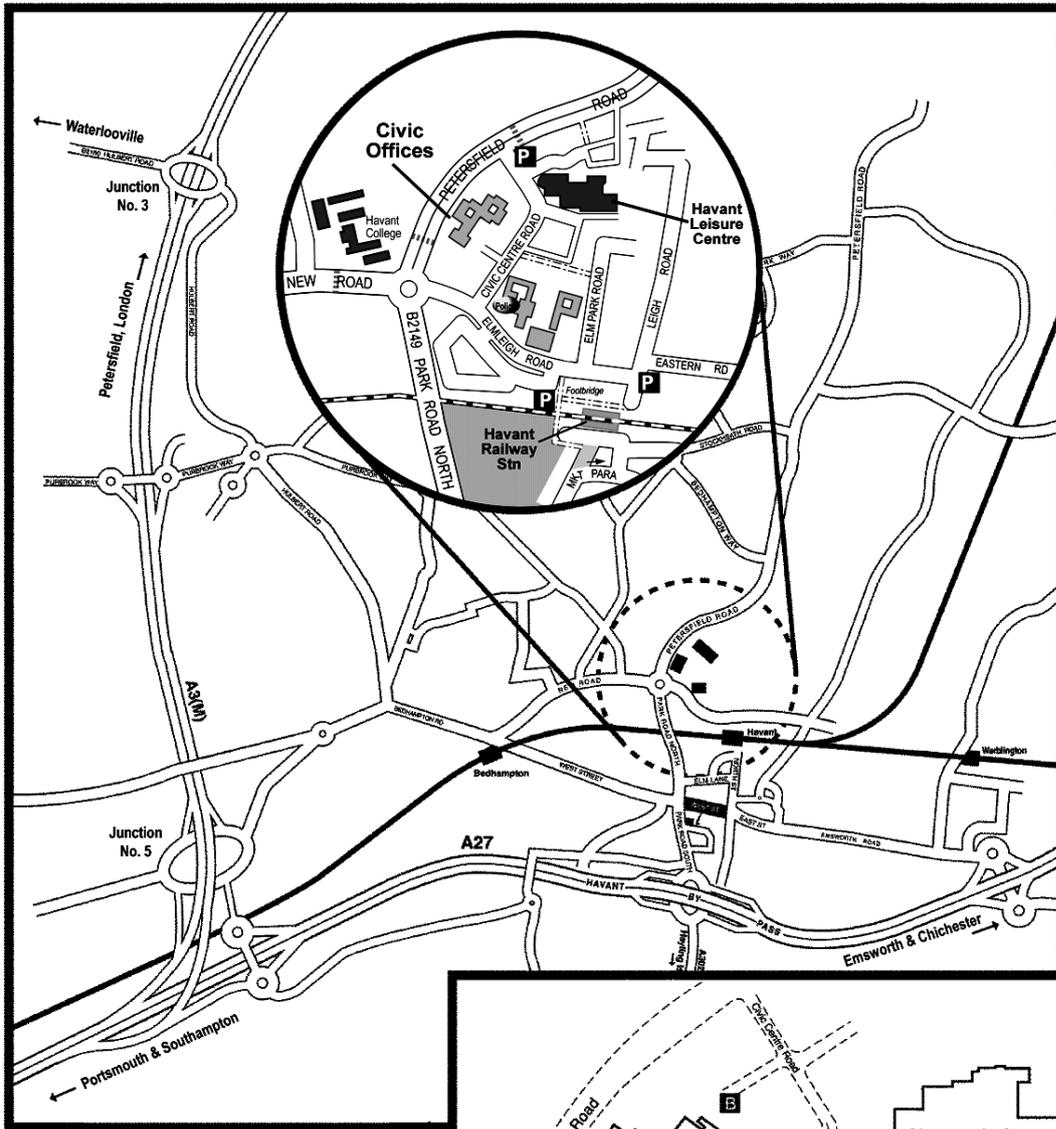
### PROTOCOL AT MEETINGS – RULES OF DEBATE

#### 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 30 November 2016

Present

Councillor Smith K (Chairman)

Councillors Lenaghan, Pike and Perry (Standing Deputy)

### **64 Apologies**

Apologies for absence were received from Councillors Davis and Rees.

### **65 Minutes**

RESOLVED that the minutes of the Governance and Audit Committee held on 21 September 2016 be approved as a correct record.

### **66 Matters Arising**

There were no matters arising.

### **67 Declarations of Interest**

There were no declarations of interest.

### **68 Chairman's Report**

The Chairman expressed his sadness at the passing of Councillor Mackey and stated his gratitude for the work he had undertaken for the Committee.

### **69 Annual Audit Letter 2015/2016**

The Committee considered the Annual Audit Letter 2015/2016 as presented by Ernst and Young LLP. Emma Bryant of Ernst and Young LLP joined the meeting for the debate on this item and answered members' questions in connection with the report.

The Annual Audit letter summarised the findings from the 2015/16 audit. The letter gave an 'Unqualified' opinion on the Council's financial statements and concluded that proper arrangements to secure value for money were in place.

During the course of the discussion, members requested further details on the bank reconciliation difference identified in the Annual Audit Letter.

RESOLVED that the Annual Audit Letter 2015/2016 from Ernst and Young LLP be noted.

#### **70 Internal Audit Progress Report**

The Committee considered the Internal Audit Progress Report 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 Committee were informed the work of Internal Audit was on track and there were no significant issues to be highlighted at this stage.

During the course of the discussion, members requested clarification on the overdue management actions relating to the Local Government Transparency Code 2015.

RESOLVED that the Internal Audit Progress Report be noted.

#### **71 Monitoring Officer's Update**

The Deputy Monitoring Officer informed the Committee that the Code of Conduct Policy was being updated and the review of the Constitution was on-going to ensure it remained fit for purpose.

The Committee were also informed that there were currently no outstanding Code of Conduct complaints.

**The meeting commenced at 5.00 pm and concluded at 5.30 pm**

## **HAVANT BOROUGH COUNCIL**

At a meeting of the Governance & Audit Committee held on 20 February 2017

Present

Councillor Smith K (Chairman)

Councillors Davis, Lenaghan, Rees and Wade

### **72 Apologies**

Apologies for absence were received from Councillor Seal

### **73 Declarations of Interest**

There were no declarations of interest.

### **74 Public Sector Audit Appointments**

The Committee considered a report from the Head of Finance seeking a recommendation to Council in relation to the future process for external auditor appointments. The Head of Finance joined the discussion for this item to answer any members questions.

During the course of the debate, members noted that 'opting-in' to the Public Sector Audit Appointments (PSAA) arrangements could see the Council realise savings through economies of scale with the partner authorities in the 5 Councils Contract. The procurement exercise would also be conducted at no cost or administrative burden to the Council.

RECOMMENDED that the Council opts in to the appointing person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of external auditors.

**The meeting commenced at 5.00 pm and concluded at 5.22 pm**

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## Certification of claims and returns annual report 2015-16

Havant Borough Council

January 2017

Ernst & Young LLP



Building a better  
working world

The Members of the Governance and Audit Committee  
Havant Borough Council  
Public Service Plaza  
Civic Centre Road  
Havant  
PO9 2AX

23 January 2017  
Ref: HBC/claims/2015-16

Email: [abrittain@uk.ey.com](mailto:abrittain@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2015-16 Havant Borough Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Havant Borough Council's 2015-16 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Summary**

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £32,520,000. We met the submission deadline. We did not issue a qualification letter as there were no errors found in our sample testing. Further details are included in section 1.

Fees for certification and other returns work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the 8 March 2017 meeting of the Governance & Audit Committee.

Yours faithfully

**Andrew Brittain**  
Executive Director  
Ernst & Young LLP  
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<b>2. 2015-16 certification fees.....</b>	<b>2</b>
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,520,000
Amended/Not amended	Not Amended
Qualification letter	No
Fee – 2015-16	£9,240
Fee – 2014-15	£17,840

### Recommendations from 2014-15

None

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

No errors were noted within our initial testing of Rent Allowances, Rent Rebates (Non-Housing Revenue Account) and Modified Scheme expenditure. As a result, no additional testing was required and we did not need to qualify or make amendments to the claim. This is in addition to the prescribed certification instruction work which did not identify any errors.

## 2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	9,240	9,240	17,840

### 3. Looking forward

The duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work is delegated to PSAA by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £13,380. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:  
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance and Assets before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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NON EXEMPT

## HAVANT BOROUGH COUNCIL

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GOVERNANCE AND AUDIT COMMITTEE

8 March 2017

### INTERNAL AUDIT PROGRESS REPORT 2016-17 (January 2017)

Head of Southern Internal Audit Partnership

ITEM NO 7

FOR DECISION

Key Decision: No

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#### 1.0 Purpose of Report

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

#### 2.0 Recommendation

2.1 That the Governance and Audit Committee note the Internal Audit Progress Report (January 2017) as attached.

#### 3.0 Summary

3.1 Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

3.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Governance and Audit Committee, summarising:

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

**3.3** Appendix 1 summarises the performance of Internal Audit for 2016-17.

#### **4.0 Implications**

##### **4.1 Resources:**

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

##### **4.2 Legal:**

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

##### **4.3 Strategy:**

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

##### **4.4 Risks:**

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

##### **4.5 Communications:**

None directly from this report.

##### **4.6 Customers & Community:**

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

##### **4.7 Integrated Impact Assessment (IIA):**

n/a

#### **5.0 Consultation**

**5.1** The report has been discussed and noted by the Management Team who met at the Executive Board on 7 February 2017.

Appendices:

#### **Appendix 1 – Internal Audit Progress Report 2016-17**

Agreed and signed off by:

Legal Services: Abe Ezekiel – Head of Legal Services – 21/02/17

Finance: Craig Smith – Head of Finance – 23/02/17

**Contact Officer:** Neil Pitman  
**Job Title:** Head of Southern Internal Audit Partnership  
**Telephone:** 01962 845139  
**E-Mail:** [neil.pitman@hants.gov.uk](mailto:neil.pitman@hants.gov.uk)

Internal Audit Progress Report

January 2017

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 2016].

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

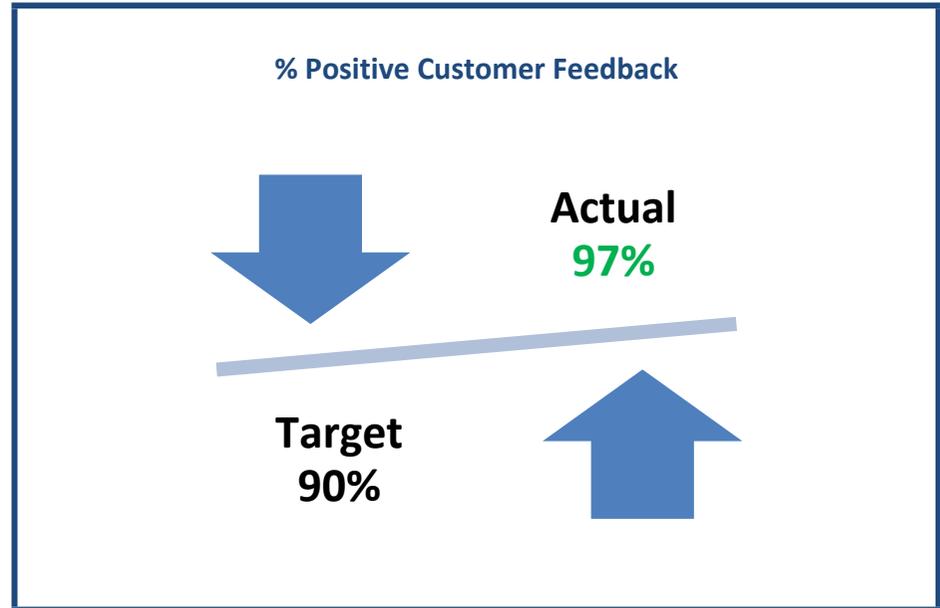
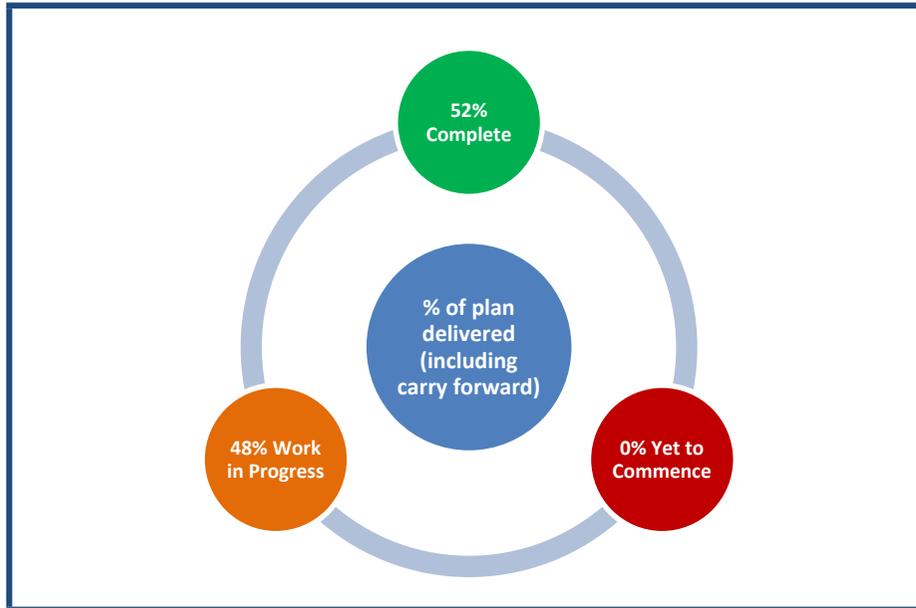
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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:

<b>Substantial</b>	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
<b>Adequate</b>	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
<b>Limited</b>	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
<b>No</b>	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



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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).*

## 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	HoF	Adequate	2 (0)	0 (0)	1 (0)	1 (0)	0 (0)
<b>New IT applications/Finance System Access Controls</b>	<b>03/05/16</b>	<b>HoPRQ</b>	<b>Adequate</b>	<b>2 (0)</b>	<b>0 (0)</b>	<b>0 (0)</b>	<b>2 (0)</b>	<b>0 (0)</b>
Local Government Transparency Code 2015	06/05/16	HoF	Adequate	7 (3)	0 (0)	4 (1)	3 (2)	0 (0)
<b>Main Accounting</b>	<b>06/05/16</b>	<b>HoF</b>	<b>Adequate</b>	<b>5 (1)</b>	<b>0 (0)</b>	<b>0 (0)</b>	<b>5 (1)</b>	<b>0 (0)</b>
<b>Performance Management</b>	<b>26/05/16</b>	<b>HoPRQ</b>	<b>Substantial</b>	<b>3 (0)</b>	<b>0 (0)</b>	<b>0 (0)</b>	<b>3 (0)</b>	<b>0 (0)</b>
<b>Accounts Receivable / Debtors Management</b>	<b>15/08/16</b>	<b>HoF</b>	<b>Adequate</b>	<b>3 (0)</b>	<b>0 (0)</b>	<b>0 (0)</b>	<b>3 (0)</b>	<b>0 (0)</b>
Contract Management	16/08/16	HoPRQ	Adequate	3 (2)	0 (0)	0 (0)	2 (2)	1 (0)
Lease Income	10/10/16	HoD	Adequate	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)
Procurement	13/10/16	HoPRQ	Adequate	5 (3)	0 (0)	1 (1)	2 (2)	2 (0)
Accounts Payable	11/01/17	HoF	Adequate	3 (0)	0 (0)	3 (0)	0 (0)	0 (0)
Accounts Receivable	16/01/17	HoF	Adequate	2 (0)	0 (0)	2 (0)	0 (0)	0 (0)
Business Continuity Planning / Disaster Recovery	30/01/17	HoOD	Adequate	9 (1)	0 (0)	9 (1)	0 (0)	0 (0)
<b>Human Resources</b>	<b>30/01/17</b>	<b>HoOD</b>	<b>Adequate</b>	<b>4 (1)</b>	<b>0 (0)</b>	<b>0 (0)</b>	<b>4 (1)</b>	<b>0 (0)</b>
Personalisation Programme	01/02/17	HoCS	Adequate	4 (3)	0 (0)	4 (3)	0 (0)	0 (0)

Audit Sponsor	
Head of Organisational Development	HoOD
Head of Customer Services	HoCS
Head of Finance	HoF
Head of Programmes, Redesign and Quality	HoPRQ
Head of Research and Marketing	HoRM
Head of Environmental Services	HoES
Head of Planning	HoP
Head of Neighbourhood Support	HoNS
Head of Coastal Partnership	HoCP
Head of Development	HoD

#### 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	01.04.16 – 28.01.17
<b>Part 2 Requirements - Fraud</b>	
<b>Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used</b>	Nil
<b>Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud</b>	2 fte*
<b>Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists</b>	4 fte*
<b>Total amount of time spent by the authority on the investigation and prosecution of fraud</b>	7 days
<b>Total number of fraud cases investigated</b>	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.'

## 7. Planning & Resourcing

The internal audit plan for 2016-17 was discussed by the Executive Board on 09 February 2016 and approved by the Governance and Audit Committee on 02 March 2016.

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
<b>Carry Forward Reviews</b>									
Asset Management	HoF	✓	✓	✓	✓	✓	Adequate	✓	
Contract Management	HoPRQ	✓	✓	✓	✓	✓	Adequate	✓	
Accounts Receivable / Debt management	HoF	✓	✓	✓	✓	✓	Adequate	✓	
<b>2016-17 Reviews</b>									
<b>Corporate cross cutting</b>									
Business Continuity Planning / Disaster Recovery	HoOD	✓	✓	✓	✓	✓	Adequate	✓	
Strategic Planning	HoOD	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Human Resources	HoOD	✓	✓	✓	✓	✓	Adequate	✓	
Procurement	HoPRQ	✓	✓	✓	✓	✓	Adequate	✓	
Risk Management	HoCS	✓	✓	✓	✓			✓	
Health and Safety	HoOD	✓	✓	✓	✓			✓	
Information Governance	HoCS	✓	✓	✓	✓			✓	
<b>Corporate governance</b>									
CIPFA/Tecaff Fraud Survey	HoF	✓	n/a	✓	n/a	✓	n/a	✓	
Proactive Fraud Initiatives	HoF	N/A	N/A	✓				✓	
National Fraud Initiative (NFI)	HoF	N/A	N/A	✓				✓	
<b>Financial management</b>									
Lease Income	HoF	✓	✓	✓	✓	✓	Adequate	✓	
Benefits	HoCS	✓	✓	✓	✓	✓	Substantial	✓	
Accounts Payable	HoF	✓	✓	✓	✓	✓	Adequate	✓	
Main Accounting	HoF	✓	✓	✓				✓	
Accounts Receivable / Debt Management	HoF	✓	✓	✓	✓	✓	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
<b>Information technology</b>									
ICT Contract	SG	✓						✓	
ICT Hosted Services	HoPRQ	✓	✓	✓				✓	
Personalisation Programme	HoRM	✓	✓	✓	✓	✓	Adequate	✓	
<b>Corporate objectives</b>									
Norse South East – Transition/Mobilisation	HoES	✓	✓	✓	✓	✓	Substantial	✓	
Norse South East – Governance Arrangements	HoES	✓	✓	✓				✓	
Norse South East – Facilities Costing	HoES	✓	✓	✓				✓	
Developers Obligations and Contributions / Community Infrastructure Levy (CIL)	HoP	✓	✓	✓				✓	

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NON EXEMPT

## HAVANT BOROUGH COUNCIL

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GOVERNANCE AND AUDIT COMMITTEE

8 March 2017

### INTERNAL AUDIT PLAN AND FRAUD & CORRUPTION RISK PLAN 2017-18

Head of Southern Internal Audit Partnership

ITEM NO 8

FOR DECISION

Key Decision: No

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#### 1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance and Audit Committee with the Internal Audit Plan 2017-18 (Appendix 1), incorporating the Fraud and Corruption Risk Plan 2017-18 (Appendix 2) for Havant Borough Council.

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

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

#### 2.0 Recommendation

2.1 That the Governance and Audit Committee approve the Internal Audit Plan 2017-18 and the Fraud & Corruption Risk Plan 2017-18.

#### 3.0 Summary

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

3.2 To ensure the Internal Audit Plan is aligned to the needs of the Council, the plan has been developed following consultation with the Executive Board and Heads of Service. A review of key documents including the Corporate Strategy and Corporate Risk Register, and our understanding of the

organisation and key priorities for 2017-18, have underpinned the development of the plan.

**3.3** The plan includes a framework for the provision of both reactive and proactive initiatives to detect fraud and corruption and/or demonstrate that fraud has not taken place. The Fraud and Corruption Risk Plan (Appendix 2) complements the Internal Audit Strategy and Plan, focussing resource against assessed fraud risks, in addition to new and emerging threats.

**3.4** The Internal Audit Plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with those responsible for the governance of the Council.

**3.5** The Council's 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Management Team.

#### **4.0 Implications**

##### **4.1 Resources:**

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

##### **4.2 Legal:**

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

##### **4.3 Strategy:**

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

##### **4.4 Risks:**

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

##### **4.5 Communications:**

None directly from this report.

##### **4.6 Customers & Community:**

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

**4.7 Integrated Impact Assessment (IIA):**  
n/a

**5.0 Consultation**

**5.1** The report has been discussed and noted by the Management Team who met at the Executive Board on 7 February 2017.

Appendices:

**Appendix 1 – Internal Audit Plan 2017-2018**

**Appendix 2 – Fraud and Corruption Risk Plan 2017-2018**

Agreed and signed off by:

Legal Services: Abe Ezekiel – Head of Legal Services – 21/02/17

Finance: Craig Smith – Head of Finance – 23/02/17

**Contact Officer:** Neil Pitman  
**Job Title:** Head of Southern Internal Audit Partnership  
**Telephone:** 01962 845139  
**E-Mail:** [neil.pitman@hants.gov.uk](mailto:neil.pitman@hants.gov.uk)

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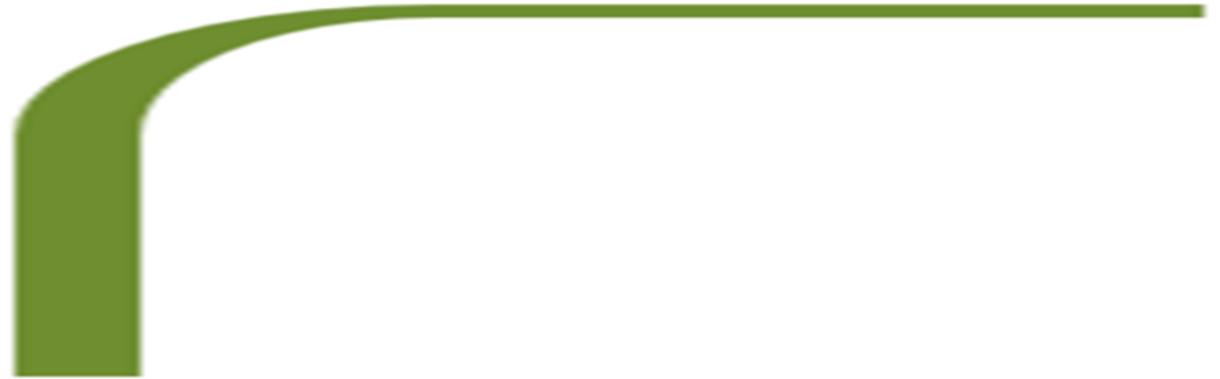
Internal Audit Plan

2017-18

Havant Borough Council



**Southern Internal  
Audit Partnership**



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## Introduction

The role of internal audit is that of an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

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

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

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

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

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

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

## Your Internal Audit Team

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

## Conformance with internal auditing standards

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

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.

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.'*

## Conflicts of Interest

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

## Council Vision

The 'Corporate Strategy' outlines Havant Borough Council's vision for 2020 and is defined in the context of the following themes:

Economy	Environment	Society	Organisation
<p>What businesses will operate in our area, who will work for them and what skills will they have?</p>	<p>What will the environment look like and how will it be cared for?</p>	<p>How will society operate in the future and how will it have changed?</p> <p>How will we shape services to meet local customer needs?</p>	<p>How will we work with partners and communities to ensure that we are sustainable and able to deliver vital services?</p>

## Council Risk

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

## Developing the internal audit plan 2017/18

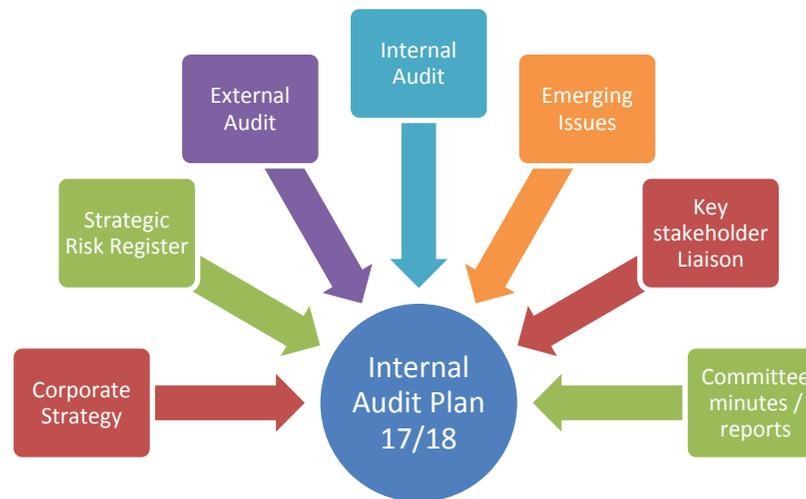
We have used various sources of information and discussed priorities for internal audit with the following groups:

- Executive Board
- Heads of Service
- Governance and Audit Committee

Based on these conversations with key stakeholders, review of key corporate documents including the Council Strategy and Risk Register, and our understanding of the organisation the Southern Internal Audit Partnership have developed an annual audit plan for the coming year.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



## Internal Audit Plan 2017-18

Audit	Risk	Scope	Proposed Timing
<b>Six Council Partnership</b>			
Partnership Management *1	Working with other organisations / cultures. Potential for some loss of control / ownership. Deliverables not achieved / benefits not realised. Loss of service provision.	Review of the overall governance framework for the Partnership/contract management arrangements.	
Performance Management *1	Poor performance, partnership dispute and non delivery of outcomes.	Review of the performance measures and management information for services transferring to CAPITA, Vinci and Arcadis. To cover robustness and accuracy of pre and post transfer performance measures & information.	
Human Resources *1	Incomplete record transfer. Loss of personal information. Migration of poor or excessive records leading to costly post transfer rectification. Ineffective HR service post transfer. Financial and reputational loss.	Review of the controls and processes supporting the transfer of the service to CAPITA, including data /record cleansing and the secure, timely and complete migration of manual and electronic data/records.  Review of the key controls post transfer.	
Environmental Health / Licencing	Failure to meet Statutory responsibilities.	Schemes of delegation / levels of authorisation for issuing licences and transfer of the service to CAPITA. Review of mapping exercise to ensure all statutory responsibilities are being delivered.	
<b>Six Council Partnership – Core Financial Systems (Migrating Systems)</b>			
Lease Income / Asset Management	Cyclical coverage of core financial systems to meet external audit / regulatory requirements, and management concerns.	All core financial systems moving to CAPITA to be reviewed both pre and post migration.	
Accounts Payable *1		The pre-migration work will cover the cleanse of records and activities	

Audit	Risk	Scope	Proposed Timing
Accounts Receivable / Debt Management *1	Additional coverage in 2017 to cover the migration to CAPITA.	undertaken to help ensure the smooth transition from the existing systems/arrangements to CAPITA's systems.  Post migration work to test that the key controls are operating as intended.	
Main Accounting *1			
Treasury Management *1			
Payroll *1			
Management Reporting *1			
<b>Five Council Partnership – Core Financial Systems (Business as usual)</b>			
Income Collection and Banking	Cyclical coverage of existing CAPITA core financial systems to meet external audit / regulatory requirements, and management concerns.	Income collection and banking arrangements, including reconciliations.	
Council Tax		Council Tax billing, collection and debt recovery/write off arrangements.	
NNDR		Non collection of rates (implications of retention as a replacement for RSG); applicability of concessions i.e. charitable, empty etc., appeals.	
<b>Six Council Partnership - ICT</b>			
ICT Provider Transfer *1	Significant risks to ICT continuity and provision due to changing ICT providers. Loss of services. Failure to meet performance standards or provide statutory services.	Controls and processes around migrating from one provider to another, ensuring no loss of systems, and maintenance of ICT security and continuity.	

Audit	Risk	Scope	Proposed Timing
<b>Strategic Objectives</b>			
Commercial Property Investments	Failure to achieve investment returns in order to offset the loss of Government Grant. Non-achievement of strategy due to insufficient skills and poor decision making.	Governance and control frameworks to support the commercial property investment strategy. Potential scope to include:- <ul style="list-style-type: none"> <li>• Strategy setting</li> <li>• Asset management strategy &amp; plan</li> <li>• Workforce skills</li> <li>• Option/investment appraisal</li> <li>• Performance management.</li> </ul>	
New Homes Bonus	Government interventions. Loss of New Homes Bonus due to non-delivery of Local Plan.	Governance and controls to help ensure effective planning, monitoring and delivery of the Local Plan and avoidance of Government Interventions or loss of bonus.	
<b>Governance</b>			
Fraud & Irregularities	Ineffective procedures to detect / mitigate fraud and irregularity or to promote a zero tolerance culture.	To operated in line with the proposed Fraud & Irregularity Business Plan <ul style="list-style-type: none"> <li>• Proactive</li> <li>• Reactive</li> <li>• NFI</li> <li>• CIPFA Survey.</li> </ul>	
Information Governance	Non compliance with legislative requirements (DPA, FOI, Transparency etc.) exposure to reputational / financial risk.	Preparation for General Data Protection Regulation (GDPR) in May 2018.	
<b>Business as Usual</b>			
Planning Development /	Poor planning. Non-achievements of timescales.	Review of controls and processes in place supporting the delivery of the	

Audit	Risk	Scope	Proposed Timing
Fee Income	Loss of income. Additional disputes. Reputational risks.	planning application process and associated fee income collection.	
Building Control	Poor decision making, loss of service provision.	Review of business case for entering into potential Partnership.	
Norse South East – Governance and Performance	Poor performance & non achievement of outcomes/benefit realisation.	Review of annual report, outturn and performance for first year of the joint venture.	
Norse South East – Assurance mapping	Failure to achieve assurance over the framework or risk management, governance and control. Reputational risk. Financial loss.	Establishment of what assurances are being obtained to ensure risks to the achievement of objectives are managed.	
Norse South East – Business continuity	Failure to maintain service levels with resulting in environmental risk/danger to Public.	Review of arrangements to ensure sufficient Business Continuity arrangements are in place and there are no gaps in coverage.	
<b>Other</b>			
Management	Planning, liaison, reporting, audit committee, external audit, advice.	-	-
Total Days			<b>380</b>

\*1 Reviews related to the Six Council Partnership that will cover HBC and EHDC, which are included in both Council's audit plans.

**Fraud and Corruption Risk Plan**

**2017-18**

**Havant Borough Council**



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**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

**Contents:**

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1. Forward

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Published in October 2014, the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption sets out the principles that define the governance and operational arrangements necessary for an effective counter fraud response.

It is these principles that underpin the Southern Internal Audit Partnership’s approach to support the management of the risk of fraud and corruption within Havant Borough Council.

Havant Borough Council promotes a zero tolerance culture to fraud and corruption:

*‘The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside of the Council...’  
(HBC - Anti Fraud & Corruption Policy)*

The Council maintains a suite of strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption (Anti Fraud & Corruption Policy; Anti Fraud & Corruption Response Plan; Whistleblowing Policy; Anti Bribery Policy and Anti Money Laundering Policy). This document provides an extension to the Council’s existing policies affording a framework of reactive and proactive initiatives to detect fraud and/ or demonstrate assurance that fraud has not taken place.

The Fraud & Corruption Risk Plan compliments the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.



## 2. The Changing Face of Fraud

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, reduced local authority resources and associated changes to existing local control frameworks together create a pressing need for a new approach to tackling fraud perpetrated against local government. The principles of the required approach are outlined in (fig 1).

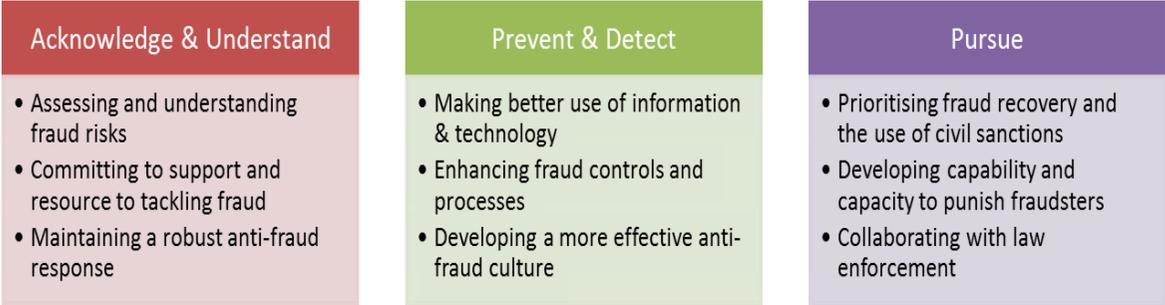


fig 1 (Fighting Fraud & Corruption Locally – The local government counter fraud & corruption strategy)

These principles are underpinned by demonstrable regard to:



### 3. Reactive Fraud Activity

The Southern Internal Audit Partnership will work with Havant Borough Council in the effective review and investigation of any reported incidents of fraud and irregularity. All such reviews will be undertaken by professionally accredited (CIPFA CCIP) staff, in accordance with the Council's Anti Fraud & Corruption Policy and Response Plan.

By its nature such reactive fraud and irregularity work is unpredictable with regard its level and duration. Recent history has demonstrated low levels of required activity in respect of reactive fraud work in Havant Borough Council, however, a contingent level of capacity for such eventualities is considered prudent.

### 4. Proactive Approach

Whilst the established process to reactive fraud assists the Council in appropriately responding to notified incidents or suspicions of fraud and irregularity, it is equally important to ensure proactive initiatives are appropriately explored to understand, prevent and detect fraud risks across the organisation.

Such proactive measures have been designed alongside the themes outlined within the 'Six Cs' (culture, capability, capacity, competence, communication and collaboration) and are mapped within Appendix 1.

The Southern Internal Audit Partnerships understanding of Havant Borough Council's service activities coupled with research from national surveys / publications and benchmarking with other local authority fraud risks have highlighted a list of areas for consideration as part of our proactive fraud activities for 2017-18 (Appendix 2).

It is also recognised that 2017 is a National Fraud Initiative download year and as such the Southern Internal Audit Partnership will be facilitating this process.

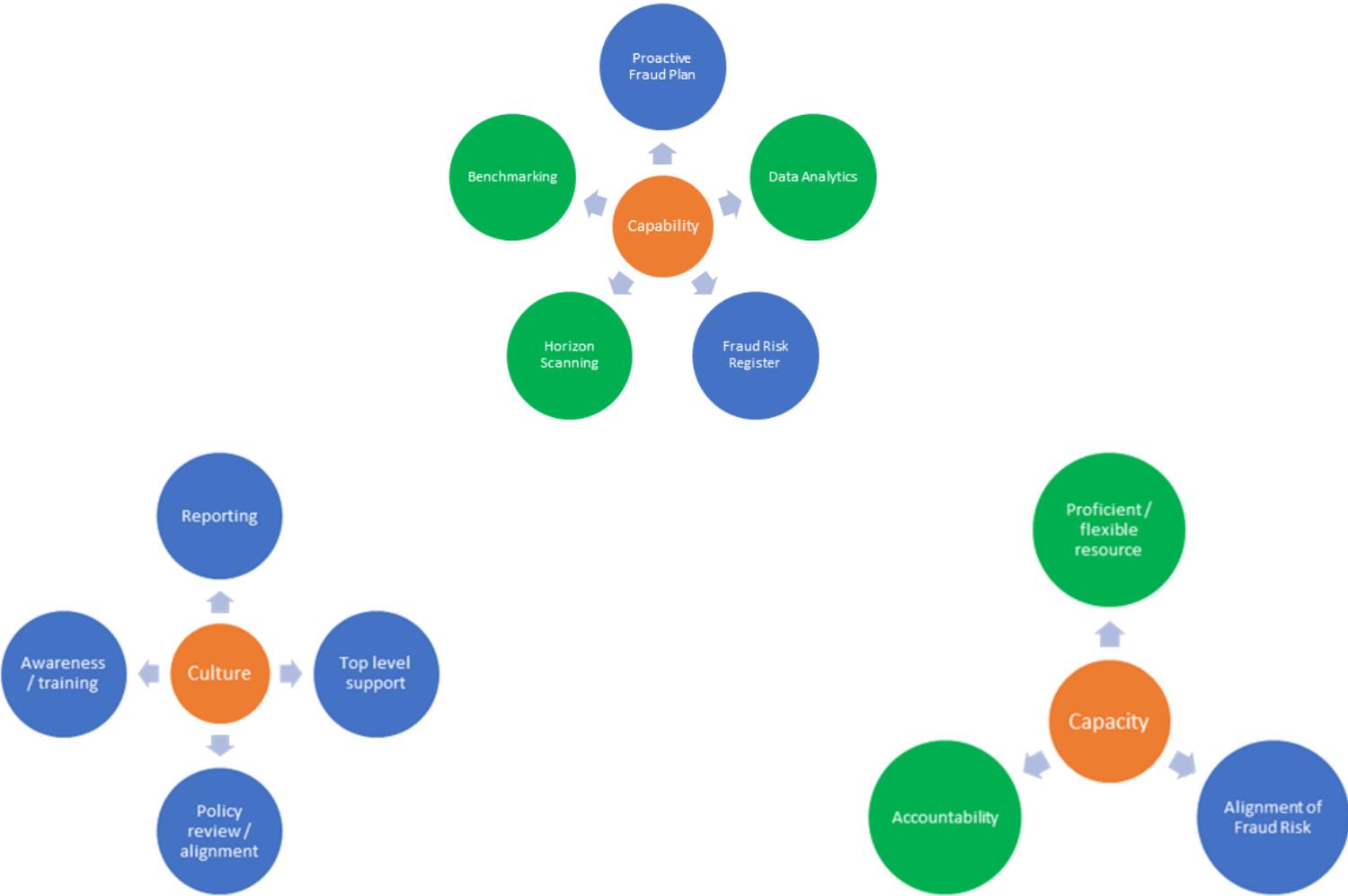
## 5. Fraud Action Plan 2017-18

Many of the aspects contributing to an effective proactive approach to fraud risk management are implicit within the Southern Internal Audit Partnership's established processes to which Havant Borough Council are a part. This is demonstrated through our dedicated and qualified fraud team, the tools to which they have access and participation in national and local collaboration groups. Building on intelligence from such collaboration and through discussion with Senior Management the following action plan of proactive fraud activity is proposed for 2017-18.

Activity	Scope	Responsible Officer	Expected Outcome
<b>Fraud Risk Registers</b>	To build on the early development of fraud risk registers and alignment to compliment the existing risk management approach	Iona Bond, Audit Manager (Fraud)	Key fraud risks aligned to the organisation on which to monitor and focus future proactive fraud activity.
<b>National Fraud Initiative</b>	To facilitate the timely delivery of NFI 2017 data matches	Iona Bond, Audit Manager (Fraud)	To monitor investigation of all 'High Recommended' matches as reported in the NFI download in addition to timely responses to queries posed by other participating organisations
<b>Training &amp; Awareness</b>	Develop an effective fraud awareness training programme for Members and Officers	Iona Bond, Audit Manager (Fraud)	Delivery of an agreed stream of training in accordance with organisational priorities.
<b>Mobile Devices</b>	Experience through work carried out by the Southern Internal Audit Partnership has highlighted local authorities exposure to unsolicited charges and unauthorised data usage through analysis of the billing of mobile devices. Such activity whilst can appear immaterial at an individual level can be significant when accumulated.	Iona Bond, Audit Manager (Fraud)	To utilise data analytics in the analysis of billing information to identify inappropriate spend or provide assurance that the billing and payment of mobile devices is appropriate and in line with business need.
<b>Annual Report on Fraud &amp; Irregularity</b>	To produce an end of year report to those charged with governance covering all reactive and proactive fraud initiatives.	Iona Bond, Audit Manager (Fraud)	To present a report to CMT and Governance & Audit Committee outlining progress against the 'Fraud Action Plan 2017-18' relaying outcomes, assurance, investigations, sanctions, savings etc. as appropriate.

Six Cs – Matrix

Annex 1



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● Six Cs principle

● Coverage implicit through SIAP

● Coverage via fraud risk planning

**Key Fraud Risks relevant to HBC – National Survey**

(Fighting Fraud & Corruption Locally 2016-19)

Fraud Risk Area	Overview
<b>Council Tax Fraud</b>	Validity of discounts awarded including Single Person Discounts and property exemptions
<b>National Non Domestic Rates</b>	Validity of exemptions (including small business and charitable), empty properties and extensions
<b>Procurement Fraud</b>	Vulnerabilities through price fixing, bid rigging, double invoicing. To include PCards
<b>Blue Badge Fraud</b>	Use of counterfeit / altered badges, use when disabled person not in the vehicle, use of deceased persons badge, badges issued but misused by institutions
<b>Internal Fraud</b>	Allowance / expense claims, misuse of time / resources, conflicts of interest, inappropriate acceptance of gifts & hospitality, manipulation of key systems i.e. payroll, pre-employment fraud, abuse of position etc.
<b>Insurance Fraud</b>	Fictitious claims, including slips and trips
<b>Disabled Facility Grants</b>	Adaptions to homes other than those to which grant is entitled
<b>Cyber and e-enabled fraud</b>	Payment authorisation requests / BACS transfer requests from unsolicited sources, ransom mail etc.
<b>Mandate Fraud</b>	Manipulation of vendor bank details (internal or external)

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NON EXEMPT

## HAVANT BOROUGH COUNCIL

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GOVERNANCE AND AUDIT COMMITTEE

8 March 2017

INTERNAL AUDIT CHARTER 2017/18

Head of Southern Internal Audit Partnership

ITEM NO 9

FOR DECISION

Key Decision: No

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### 1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance and Audit Committee with the Internal Audit Charter for 2017/18.

1.2 The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards [the Standards].

### 2.0 Recommendation

2.1 That the Governance and Audit Committee approve the Internal Audit Charter for 2017/18.

### 3.0 Summary

3.1 With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the Standards).

3.2 Within the Standards there is a requirement for an Internal Audit Charter - a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached at Appendix 1.

3.3 The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as

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

#### **4.0 Implications**

##### **4.1 Resources:**

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

##### **4.2 Legal:**

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

##### **4.3 Strategy:**

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

##### **4.4 Risks:**

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

##### **4.5 Communications:**

None directly from this report.

##### **4.6 Customers & Community:**

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

##### **4.7 Integrated Impact Assessment (IIA):**

n/a.

#### **5.0 Consultation**

**5.1** The report has been discussed and approved by the Management Team who met at the Executive Board on 07 February 2017.

Appendices:

#### **Appendix 1 – Internal Audit Charter**

Agreed and signed off by:

Legal Services: Abe Ezekiel – Head of Legal Services – 21/02/17

Finance: Craig Smith – Head of Finance – 23/02/17

**Contact Officer:** Neil Pitman  
**Job Title:** Head of Southern Internal Audit Partnership  
**Telephone:** 01962 845139  
**E-Mail:** [neil.pitman@hants.gov.uk](mailto:neil.pitman@hants.gov.uk)

## Appendix 1

### Internal Audit Charter

#### Introduction

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

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

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

#### Mission and Core Principles

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

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

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

#### Authority

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

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

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2016).

## **Purpose**

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

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

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

*'independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*.

## **Responsibility**

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

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

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

## **Definitions**

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

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

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

## **Position in the organisation**

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

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

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

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

### **Internal audit resources**

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

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

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

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

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

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

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

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

## **Independence and objectivity**

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

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

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

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

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

## **Due professional care**

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

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

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

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

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal

or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

### **Access to relevant personnel and records**

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

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

### **Scope of Internal Audit activities**

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

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

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

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

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

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

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

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

## **Reporting**

### ***Chief Internal Auditor's Annual Report and Opinion***

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

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

The annual report will incorporate as a minimum:

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

### ***Senior Management***

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

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

### ***The Board***

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

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

### **Review of the internal audit charter**

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

**Southern Internal Audit Partnership – Client Portfolio**

**Strategic Partner:** Hampshire County Council

**Key Stakeholder Partners:** Havant Borough Council  
East Hampshire District Council  
Winchester City Council  
Hampshire Fire & Rescue Authority  
Office of the Police & Crime Commissioner  
/ Hampshire Constabulary

**External clients:** Hampshire Pension Fund

**Higher Education Institutions**

University of Winchester

**Further Education Institutions and Sixth Form Colleges**

Eastleigh;  
Highbury;  
Isle of Wight College;  
Itchen;  
Portsmouth;  
Queen Mary College (QMC);  
St Vincent's; and  
Taunton's;

**Academies**

Highcliffe

### Assurance Services

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