

GOVERNANCE, AUDIT AND FINANCE BOARD AGENDA

Membership: Councillor Briggs (Chairman)

Councillors Branson, Crellin, Hart, Kennett, Patel, Mrs Shimbart, Thomas and Carpenter

Meeting: Governance, Audit and Finance Board

Date: 1 February 2021

Time: 5.00 pm

Venue: Remote Meeting - Via Skype for Business

The business to be transacted is set out below:

Gill Kneller
Chief Executive

22 January 2021

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

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CAN COUNCILLORS PLEASE SUBMIT ANY DETAILED TECHNICAL QUESTIONS ON THE ITEMS INCLUDED IN THIS AGENDA TO THE CONTACT OFFICER BY 12 NOON ON THURSDAY 28 JANUARY 2021.

1 Apologies

To receive apologies for absence.

2 Minutes

To confirm the minutes of the Governance, Audit, and

1 - 2

Finance Board held on 2 December 2020.

3 Declarations of Interest

Matters Deferred from Previous Meeting

4	Internal Audit External Quality Assessment 2020	3 - 22
5	Internal Audit Progress Report 2020-21 (September 2020)	23 - 44

Other Items

6	Draft Budget 2020-21	45 - 84
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GENERAL INFORMATION

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Internet

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Havant

BOROUGH COUNCIL

PROTOCOL AT MEETINGS – RULES OF DEBATE

Meeting Protocol

- Microphones will be muted centrally unless it is a councillor/officers turn to speak. When unmuted centrally please note that a councillor/officer will also need to press the unmute button before speaking!
- Whilst being held remotely, the meeting remains a formal meeting of the council with the same rules of conduct. There is the potential for greater audience numbers due to people being able to watch from their own homes. The meeting will also be recorded and the recording publicly available.
- There is a viewing pane showing all participants on the left-hand side (clicking the icon depicting three people in the top left of the screen will open). This lists the attendees (committee members) in alphabetical order, which is useful to ascertain when you will have an opportunity to speak.

The Chairman will read out a detailed introduction to outline how the meeting will run.

Apologies for Absence

Will be read by the Democratic Services Officer.

Confirmation of Attendance/ Declarations of Interest/ Supplementary Matters

For expediency, the Chairman will ask each councillor in turn to confirm the above. Attendees will be able to mute and unmute their own microphones.

Confirmation of Minutes

The Chairman will ask each councillor in turn whether they have any amendments to the previous minutes. Either reply 'No amendments Chairman', or yes and clearly state the amendment.

The Chairman will ask for a proposer, at this point all microphones will be unmuted. The first councillor to speak, stating only their name 'Cllr X' will be taken as the proposer. The process will be repeated for the seconder.

Voting

When voting, the Chairman will ask each Councillor in turn, alphabetically, to state either 'FOR, AGAINST or ABSTAIN'. The Democratic Services Officer will confirm the voting numbers, following which the Chairman will declare the result of the vote.

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HAVANT BOROUGH COUNCIL

At a meeting of the Governance, Audit and Finance Board held on 2 December 2020

Present

Councillor Briggs (Chairman)

Councillors Branson, Crellin, Hart, Kennett, Patel, Mrs Shimbart and Thomas

Other Councillors Present: Bains, Bowerman, Hughes, Inkster, Keast, Lloyd, Patrick,
Pike, Rennie, Mrs Robinson, Thain-Smith, Turner,
Wilson

1 Apologies

Apologies for absence were received from Cllr Kennett.

2 Declarations of Interest

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

3 Internal Audit External Quality Assessment 2020

This item was deferred.

4 Internal Audit Progress Report September 2020

This item was deferred.

5 Consideration of any Executive Decisions Called In to the Board (If applicable)

The Chairman opened the item by outlining the process.

It was RESOLVED that the press and public be excluded from the remainder of the meeting because:

- (a) it was likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during that item there would be disclosure to them of exempt information of the descriptions specified in paragraph 3 of Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 shown against the heading in question; and
- (b) in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Governance, Audit and Finance Board entered exempt session at

Page 6 pm.

The remainder of the item was taken in camera.

The meeting commenced at 5.00 pm and concluded at 7.01 pm

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Chairman

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD 1 February 2021

INTERNAL AUDIT EXTERNAL QUALITY ASSESSMENT 2020

Deputy Head of the Southern Internal Audit Partnership

FOR DECISION

Key Decision: No

HBC/023/2020

1.0 Purpose of Report

- 1.1. The purpose of this paper is to present the outcome of the recent external quality assessment of the Southern Internal Audit Partnership (SIAP) against the International Professional Performance Framework (IPPF), the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) required as part of the Standards (Attribute Standard 1312 – External Assessment).

2.0 Recommendation

- 2.1 That the Governance, Audit and Finance Board note the Internal Audit External Quality Assessment 2020 Report, as attached.

3.0 Summary

- 3.1 The Accounts and Audit (England) Regulations 2015 – S5 state:

‘(1) 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.’

- 3.2 The Public Sector Internal Audit Standards and the Local Government Application Note together comprise ‘internal auditing standards and guidance’ as referenced in the Regulations.

- 3.3 PSIAS require the Head of the Southern Internal Audit Partnership to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit service including provision for both internal and external quality assessments.

- 3.4** An external quality assessment is required to be undertaken every five years by an independent assessment team from outside of the organisation. The last external assessment of SIAP was completed in October 2015 by the Institute of Internal Auditors (IIA).
- 3.5** The external assessment was completed during 4th – 11th September 2020. The review included a thorough validation of the SIAP's self-assessment, a significant number of interviews with key stakeholders across our partner and client organisations, SIAP team members, as well as an extensive customer survey.

4.0 Conclusion

- 4.1** The external assessment concluded that the Southern Internal Audit Partnership conform to all aspects of the International Professional Performance Framework, Public Sector Internal Audit Standards and Local Government Application Note.
- 4.2** In assessing the SIAP against the IIA's Maturity Matrix, the assessors concluded that the SIAP team are:

Excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

Good in their:

- Operating with efficiency
- Coordinating and maximising assurance.

- 4.3** The External Assessors did present a number of improvement opportunities for the partnership. Whilst these are not issues of conformance with the IPPF, PSIAS and LGAN, they do have the potential to further strengthen the impact of the internal audit service. An action plan in response to the opportunities raised has been developed.
- 4.4** Appendix 1 provides the IIA's SIAP External Quality Assessment – Final Report.

5.0 Implications

5.1 Resources:

None directly, the cost of the external assessment is included within the overall partnership arrangements with the Council.

5.2 Legal:

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

5.3 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.

5.4 Risks:

None directly from this report.

5.5 Communications:

None directly from this report.

5.6 Customers & Community:

None directly from this report.

5.7 Integrated Impact Assessment (IIA):

n/a

6.0 Consultation

6.1 The report has been discussed and noted by the Management Team who met at the Executive Board on 03 November 2020.

Appendices:

Appendix 1 – Internal Audit External Quality Assessment 2020

Agreed and signed off by:

Legal Services: Daniel Toohey, Acting Head of Legal Services and;

Finance: Lydia Morrison, Chief Finance Officer.

Contact Officer: Antony Harvey

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Setting the standards **together**



Chartered Institute of
Internal Auditors

External Quality Assessment (EQA)

Report for:

Southern Internal Audit Partnership

Page 7

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Prepared by John Chesshire, Bethan Jones
and Liz Sandwith
approved reviewers for
The Chartered Institute of Internal Auditors
14 September 2020

www.iaa.org.uk/eqa



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1.1 Background and Scope

The internal audit service provided by Southern Internal Audit Partnership (SIAP) delivers internal audit services to one strategic Partner (Hampshire County Council), 17 key stakeholder partners (including county, district, borough and city councils, police, fire and rescue and related bodies) and 10 external clients.

The Head of Partnership (supported by the Assistant Head) and two Deputy Heads fulfil the Chief Internal Auditor (CIA) roles for their respective client portfolios. They report functionally to Audit Committees in the partner and client organisations. In addition, the Head of Partnership reports strategically to the Key Stakeholder Board.

SIAP seeks to bring together the professional discipline of internal audit across partnering organisations, pooling expertise and enabling a flexible, responsive and resilient service to our partner and client portfolio. To help achieve this, SIAP follows the IIA's Mission for internal auditing and the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).

The Chartered Institute of Internal Auditors previously undertook an external quality assessment (EQA) of SIAP in 2015. We are delighted that SIAP commissioned us to undertake this current EQA once again.

Our review included a thorough validation of the SIAP's self-assessment, a significant number of interviews with key stakeholders across the partner and client organisations, SIAP team members, as well as an extensive customer survey.

Given the pandemic, we conducted this EQA remotely.

1.2 Key Achievements

SIAP is an established and effective internal audit service, valued by key stakeholders in its partner and client organisations.

The governance framework over SIAP is mature, with a well-established Key Stakeholder Board and Audit Committee oversight, regular meetings, reporting and performance monitoring.

A very experienced Head of Partnership leads the SIAP team, supported by three senior managers. Engagement with key stakeholders is regular and effective, with the Head of Partnership viewed as a trusted, independent and respected leader.

SIAP team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service. They can tackle a wide range of assurance, consulting and investigatory challenges. The team also contains IT audit and counter fraud specialists. The Head of Partnership could procure additional external support if needed through a budget for co-sourcing. SIAP operates a matrix management approach to team operation and deployment.

Our stakeholder survey results were also positive. Individual comments were very supportive, with very few areas for improvement identified. We also received positive responses to our questions from the key stakeholders we interviewed. Individuals particularly welcomed the SIAP team's overall professionalism, objectivity, engagement, planning and reporting. Suggested areas for improvement were minimal.

The team's Audit Charter is comprehensive, up to date and supported by an appropriate internal audit methodology. The team have developed and delivered annual risk-based audit plans for each of their clients and are moving to a more flexible quarterly

approach. Key stakeholders are actively engaged in the design of these plans. The SIAP team document progress and the Head of Partnership and senior colleagues report on this at regular Audit Committee meetings.

SIAP managers actively monitor performance, the Head of Partnership measures and reports on a small number of KPIs, and a thorough, documented Quality Assurance and Improvement Programme is in place. The team make good use of MKI audit management software. They are also making progress on implementing a more data analytics-driven approach to some internal audit engagements but acknowledge that they need to undertake more work in this area.

We believe that the supporting operational SIAP team processes, documentation and associated templates are fit for purpose. SIAP managers have detailed these in a variety of key documents.

Our file reviews showed appropriate compliance with the team's methodology and evidence of appropriate scope, objectives, testing, evidence, supervision and review.

1.3 EQA Assessment Conclusion

We are pleased to report that the SIAP team meet each of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.

To summarise, we are delighted to report that the SIAP team are excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

We believe that the SIAP team are good in their:

- Operating with efficiency
- Coordinating and maximising assurance

In conclusion, this is an excellent result and the Head of Partnership and SIAP team should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'.

1.4 Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. This is summarised in the table below.

Summary of Conformance	Standards	Generally Conforms	Partially Conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	7				7
Managing the Internal Audit Activity	2000 - 2130	12				12
Performance and Delivery	2200 - 2600	21				21
Total		64				64

As a result, we make no formal recommendations for improvement.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with heads of internal audit, summarised in an internal audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered Institute.

It is our aim to offer advice and a degree of challenge to help internal audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in three formats:

- A SWOT analysis to recognise the accomplishments of the team and to highlight potential threats and opportunities for development. [\(See 2.1\)](#)
- A matrix describing the key criteria of effective internal audit, highlighting the level SIAP has achieved and the potential for further development, recognising that effective internal audit goes further than purely conformance with internal auditing standards. [\(See 2.2\)](#)
- A series of improvement opportunities and suggestions which the internal audit team could use as a basis for an action plan. [\(See 2.3\)](#)

2.1 SWOT Analysis

What works well (Strengths)

- An experienced, diverse and professional team, with a broad mix of qualifications, backgrounds and specialisms, including IT and counter fraud
- The Head of Partnership is well-respected, independent, confident and knowledgeable
- Move to quarterly planning demonstrates greater agility and responsiveness to a volatile, changing environment
- Very positive staff and stakeholder survey results
- The 'added value' section in the internal audit reports usefully highlights good practice and improvement opportunities
- Training and Development Plan developed, particularly in response to recruitment and expansion. Well-received training sessions delivered at the start of the pandemic
- SIAP governance is clearly documented (Charters, Plans, Audit Methodology and flowcharts, the QAIP etc.) and the audit methodology, including action follow up, works well
- Client relationship management - effective relationships with key stakeholders, both councillors and officers
- Stakeholders value the sharing of best practice and emerging issues across the sector and between organisations

What could be done better (Weaknesses)

- Lengthy elapsed time for some internal audit engagements

What could deliver further value (Opportunities)

- Virtual/remote working 'lessons learned' and implementation, coupled with a more agile-focused mindset
- Progressing the implementation of enhanced data analytics would enable more comprehensive testing and reliable, insightful conclusions and reporting
- MKI Upgrades likely to enhance functionality and improve the internal audit methodology and working practices, potentially including automated action tracking and reviewer sign off
- Further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line
- Continue with the ongoing development of quarterly planning enabling new business areas, emerging areas of risk and changing business processes are adequately
- Increasing visibility and awareness of SIAP by an appropriate presence on each partner website and/or intranet site
- Increased sharing of lessons, benchmarking and good practice would demonstrate further added value
- The Staff Survey highlighted some desire for improved intra-team communications and better celebration of success. Communication of successes from internal audit engagements could be motivational and help embed lessons and good practices across the wider SIAP service
- Rotating managers more frequently between clients can ensure fresh perspectives and help avoid over-familiarity

What could stand in your way (Threats)

- Partner and client funding cuts would threaten internal audit delivery, resourcing, resilience and the ability of the Head of SIAP to provide evidence-based annual opinions
- Client data quality may limit the opportunity to benefit from enhanced data analytics
- Second line functions may need to mature more fully. Unless this happens, the SIAP team will be unable to place further reliance on them, or coordinate their work more effectively, with them
- Excessive staff turnover and unfilled vacancies, could threaten service delivery
- A potential second wave of COVID could impact service delivery - not everything can be audited remotely - and threaten the ability of the CIA to deliver an annual opinion

2.2 Internal Audit Maturity Matrix

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as the 3rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with, and approved by, AC.
Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors, with some acknowledgement of the value-added dimension.	Coordination is planned at a high-level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly, linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
Satisfactory	Most of the IIA Standards are found in the methodology, with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks, but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards, with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload, with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

2.3 Improvement Opportunities

This section of the report details additional feedback and observations which, if addressed, could strengthen the impact of Internal Audit. These observations are not conformance points but support Internal Audit's ongoing development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A

Elapsed time on internal audit engagements - there is a long, elapsed time from start to finish for some of the engagements carried out across the partner organisations. There is no single reason for this, but SIAP economy, efficiency and effectiveness would be improved if elapsed time was reduced. The Head of Partnership and the SMT have recognised this as an area for improvement and will explore more agile ways of working and assess good practices employed across the SIAP team to help reduce this.

Suggestion: We believe that the Head of Partnership and the SMT could usefully revisit SIAP engagement delivery to better assess the root causes of delays, and pilot solutions. Potential solutions may certainly include employing a more agile 'site audit' approach and mindset on some engagements, deploying task-based teams on specific engagements (rather than solo personnel), closer engagement with the audit client to ensure availability for short duration intense engagements, or undertaking additional identical audits using the same team members across several partner organisations, to increase pace and efficiency. We support the intention to focus on improving this area.

Opportunity B

Data Analytics - the SIAP team have begun to employ data analytics in relevant assurance engagements but have been hampered by poor quality data in some areas to date. The Head of Partnership and the SMT want to expand the use of data analytics and recognise the benefits this will bring the service.

Suggestion: We believe that the Head of Partnership and the SMT should consider how best to increase and embed the use of data analytics more rapidly across SIAP to enhance the depth and breadth of assurances provided. Some leading internal audit teams have moved to a methodology position of having to justify why data analytics should not be employed on an engagement. The expectation is that use of data analytics is the default position for every engagement. Other internal audit teams have developed a strategy covering a roadmap to roll out and embed a data analytics capability and mindset over a three-year horizon.

Opportunity C

Audit Management Software - The SIAP team are currently awaiting further enhancements to their MKI software application.

Suggestion: We believe that team efficiency could be further enhanced if they requested an upgrade to the way in which evidencing management review of audit work occurs, perhaps through working paper 'date stamp' functionality. We found the current review process to be cumbersome and time-consuming. Additionally, to further ongoing initiatives to automate the action tracking process, seek to enable the system to automatically email action owners at regular intervals. This would also enhance team efficiency and reduce the need for manual intervention.

Opportunity D

Remote working and the future - what the internal audit working environment of the future will look like is unclear. The extent to which a mixed economy of office and remote working is here to stay is uncertain. However, the SIAP team have responded well to pandemic-driven changes, and a comment in the recent staff survey highlights that “in terms of flexible working, the strategy is being completed collaboratively in consultation with staff”. Whatever happens, pressure on the SIAP’s key stakeholders, managers and staff is likely to increase, available time will decrease and this may challenge aspects of the internal audit process and relationships.

Suggestion: We believe that the Head of Partnership and the SMT could usefully undertake a lessons learned review of what has worked well over the last six months, where improvements are required, what the key ‘ways of working’ learning points are and how the SIAP approach, ethos and methodology may need to adapt to ensure continued stakeholder buy-in, effective relations, the acceptance of the need for internal audit engagements and the timely implementation of any ensuing actions, in a changed and challenging environment.

Opportunity E

Coordination and reliance on other assurance providers - further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line (where it is right to do so) may increase the effectiveness of assurances to senior management and the audit committee(s).

Suggestion: We believe that the Head of Partnership should continue to develop a robust, reliable and value-adding approach to assurance mapping and reliance, to enhance efficiency and effectiveness.

Opportunity F

Periodic Planning - the move to a more flexible and responsive quarterly planning, engagement allocation and delivery model is a welcome development and appropriate for the current volatile and changing environment.

Suggestion: We support the Head of Partnership in continuing to ensure that new business teams, innovative or revised services, emerging areas of risk and changing partner and client governance, strategies and delivery models are adequately covered in the SIAP risk assessment and reflected in these quarterly internal audit plans. This will help ensure the team remain insightful, proactive, and future-focused, providing professional assurance over new and emerging areas of organisational risk. Continued oversight of evolving areas of internal audit practice from research, networking and professional events will assist this approach.

The following rating scale has been used in this report:

Generally Conforms (GC)	<p>The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>
Partially Conforms (PC)	<p>The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.</p>
Does Not Conform (DNC)	<p>The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.</p>

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating

Stakeholder Interviews

We interviewed the following individuals as part of the review. We also sent out stakeholder surveys to 38 senior managers and Audit Committee members across the partner organisations. We are pleased to have received 19 completed survey responses from the 38 requests. We have shared the anonymised survey results with the Head of Partnership.

Stakeholders	Title / position	Internal Audit team	Title / position
Cllr Nigel Dennis	Chair Regulation, Audit and Accounts Committee, West Sussex County Council	Neil Pitman	Head of Partnership
Gill Kneller	Chief Executive, Havant Borough Council and East Hampshire District Council	Karen Shaw	Deputy Head of SIAP
Cllr Margot Power	Chair Audit Committee, Winchester City Council	Nat Jerams	Assistant Head of SIAP
Katharine Eberhart	Director Finance and Support Services, West Sussex County Council	Ant Harvey	Deputy Head of SIAP
Melvyn Neate	Chair, Hampshire Joint Audit Committee	Abbas Alimohamed	Auditor
Nick Gray	Deputy Chief Executive and S151 Officer, Mole Valley District Council	Chris Benn	Senior Auditor
Cllr Allan O'Sullivan	Chair Audit Committee, New Forest District Council	Bev Davies	Audit Manager
Carolyn Williamson	Director of Resources and Deputy Chief Executive (S151), Hampshire County Council		
Paul Burden	Chair, Sussex Joint Audit Committee		

Lydia Morrison	S151 Officer, Havant Borough Council and East Hampshire District Council
John Coughlan	Chief Executive, Hampshire County Council
Cllr Keith Evans	Chair Audit Committee, Hampshire County Council
Richard Croucher	Chief Finance Officer, Hampshire Constabulary and Deputy Chief Finance Officer Hampshire Fire and Rescue Authority
Pat Main	S151 Officer, Reigate and Banstead Borough Council
Bob Jackson	Chief Executive, New Forest District Council
Elaine Jackson	Acting Chief Executive, Tandridge District Council
Cllr Briggs	Chair of Governance, Audit and Finance Board, Havant Borough Council
Lisa Kirkman	Strategic Director Resources, Winchester City Council

Acknowledgement

We would like to thank the SIAP team for their time, assistance and support during this review and all those who took part in the review for their co-operation together with their open and honest views.

Feedback from stakeholder interviews and surveys

Working with the business

“The service is very proactive and accessible. They keep me regularly informed of progress and any issues they have”. Stakeholder Survey feedback.

“The SIAP team have a very good relationship with the senior management team - this makes life so much easier when issues arise”. Stakeholder interview.

“The team are proactive and responsive”. Stakeholder interview.

“Those being audited feel that SIAP are undertaking the audit ‘with’ them not ‘to’ them”. Stakeholder interview.

Communication

“Their reports are about right – clear, straightforward and an appropriate length”. Stakeholder interview.

“The team are exceptionally professional, and sensitive, and have developed confidence in the staff, which ensures the accuracy of the audit is underpinned”. Stakeholder Survey feedback.

“They deliver good, professional presentations to the Executive Board”. Stakeholder interview.

“It is very apparent in Audit Committee meetings that Neil is a very independent voice”. Stakeholder interview.

“SIAP engagement reports are short, sharp and to the point”. Stakeholder interview.

“The SIAP lead is knowledgeable, experienced and briefs the committee clearly and constructively”. Stakeholder interview.

Internal audit plans and coverage

“We collectively put together the programme of internal audits and it’s a really useful management tool for us”. Stakeholder interview.

“If we have any cause for alarm, they are very responsive and will do deep dives where necessary”. Stakeholder interview.

“We get sufficient input to internal audit plans and certainly have the opportunity to ask for work”. Stakeholder interview.

“The Audit Committee is fully consulted in developing the plan and has good sight of its evolution and delivery through regular progress reports”. Stakeholder interview.

Value

“We genuinely value the service.” Stakeholder interview.

“I like the fact that they see what is happening in other organisations and share what other local authorities are doing.” Stakeholder interview.

“The staff are all very professional, approachable and are always looking for solutions to issues they come across. This gives me confidence”. Stakeholder Survey feedback.

“The SIAP team work well. I’m very happy. They represent value for money and deliver a good service.” Stakeholder interview.

“I can honestly say SIAP are the best Internal Audit provider I have ever come across.” Stakeholder interview.

“I am happy that the team do try to focus on providing added value at all times”. Stakeholder Survey feedback.

Disclaimer: This review was undertaken in September 2020 by John Chesshire, Bethan Jones and Liz Sandwith on behalf of the Chartered Institute of Internal Auditors. This report provides management and the SIAP Audit Committees with information about Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE, AUDIT AND FINANCE BOARD 1 February 2021

INTERNAL AUDIT PROGRESS REPORT 2020-21 (September 2020)

**Deputy Head of the Southern Internal Audit
Partnership**

FOR DECISION

Key Decision: No

HBC/024/2020

1.0 Purpose of Report

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

2.0 Recommendation

- 2.1** That the Governance, Audit and Finance Board note the Internal Audit Progress Report, reflecting progress to 30 September 2020, as attached.

3.0 Summary

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

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

3.3 Appendix 1 summarises the performance of Internal Audit for 2020-21 to 30 September 2020.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 300 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 03 November 2020.

Appendices:

Appendix 1 – Internal Audit Progress Report 2020-21

Agreed and signed off by:

Legal Services: Daniel Toohey, Acting Head of Legal and;

Finance: Lydia Morrison, Chief Finance Officer.

Contact Officer: Antony Harvey

Job Title: Deputy Head of the Southern Internal Audit Partnership
Telephone: 07784 265289
E-Mail: antony.harvey@hants.gov.uk

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Internal Audit Progress Report (September 2020)

Havant Borough Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

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

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

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

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

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

Havant Borough 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.

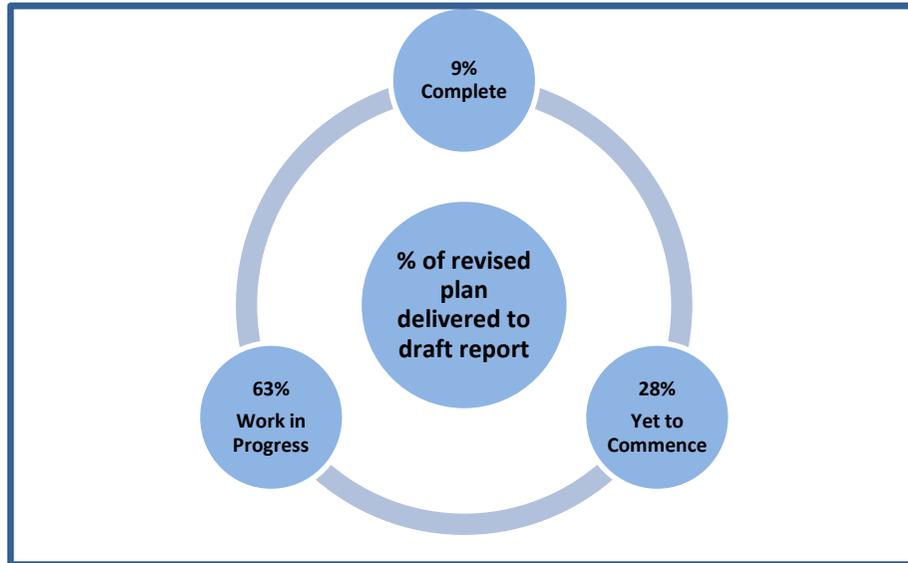
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review.

CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use. To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020-21 work and moving forwards. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 2*

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Benefits*	Feb 19	HoCS	Adequate	3	0	0	3			
Information Governance	May 19	HoPRQ	Adequate	12	0	0	7	3	2	
Procurement	May 19	HoSC	Adequate	8	0	5	3			
Private Sector Housing*	Jul 19	HoNS	Adequate	4	0	0	4			
Developers Contributions*	Aug 19	SD (RP)	Adequate	2	0	0	2			
Food Safety	Nov 19	HoNS	Limited	10	0	0	8	1	1	
Neighbourhood Quality (Fly Tipping)*	Dec 19	HoNS	Limited	13	0	0	13			
Income Collection	Feb 20	CFO	Adequate	1	0	0	0		1	
Health and Safety*	Apr 20	HoOD	Adequate	5	0	0	5			
Payroll*	Apr 20	CFO	Adequate	3	0	0	3			
Treasury Management	May 20	CFO	No	10	0	1	9			
Human Resources*	May 20	HoOD	Limited	12	0	0	12			
Animal Welfare (Licensing)	May 20	HoNS	Limited	14	0	0	7	2	4	1
Lease Income	May 20	HoNS	Limited	14	0	8	6			
IT Asset Management	Jun 20	HoPRQ	Adequate	6	0	4	2			
Licensing	Jun 20	HoNS	Adequate	6	0	4	1			1
Reconciliations*	Jun 20	CFO	Adequate	1	0	0	1			
Information Governance	Jun 20	HoPRQ	Limited	8	0	2	6			
Norse – Governance Arrangements	Jun 20	HoSC	Adequate	4	0	3	1			
Total								6	8	2

* Denotes audits where all actions have been completed since the last progress report

Audit Sponsor	
Head of Organisational Development	HoOD
Head of Customer Services	HoCS
Chief Finance Officer and Director of Corporate Services	CFO
Head of Programmes, Redesign and Quality	HoPRQ
Head of Development	HoD
Head of Strategic Commissioning	HoSC
Head of Neighbourhood Support	HoNS
Head of Regeneration	HoR
Service Director (Regeneration and Place)	SD (RP)
Head of Commercial Development	HoCD

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

There have been no 'Limited' or 'No' assurance opinion reports issued as part of the 2020-21 audit work.

6. Planning & Resourcing

The internal audit plan for 2020-21 was discussed by the Executive Board on 25 February 2020 and approved by the Governance, Audit and Finance Board on 29 July 2020.

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 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2019-20								
Accounts Payable	CFO	✓	✓	✓	Apr 20		Adequate	2019-20 Opinion
Accounts Receivable / Debt Management	CFO	✓	✓	✓	Jun 20		Limited	2019-20 Opinion
2020-21								
Corporate /Governance Reviews								
Asset Management	SD (RP)							Q4
Performance Management	HoPRQ	✓	✓	✓				
Project / Programme Management	HoPRQ							Q4
Partnership Management (Five Councils)	HoSC	✓	✓	✓				
Norse South East - Governance	HoSC	✓						
Contract Management Arrangements	HoSC	✓						Q4
Financial Stability	CFO	✓						
National Fraud Initiative (NFI)	CFO	n/a	n/a	✓				Q1-4
CIPFA Fraud Survey	CFO	n/a	n/a	✓				
Information Governance *	HoPRQ	✓	✓	✓				Follow-up
Human Resources								

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Human Resources / Recruitment	HoOD	✓	✓	✓				
Workforce Development / Organisational Design Review	HoOD							Q4
Financial Management								
Business Rates	HoCS	✓	✓	✓				
Income Collection and Banking	CFO	✓						
Accounts Payable	CFO	✓						Q4
Accounts Receivable / Debt Management	CFO							Q4
Main Accounting and Reconciliations	CFO	✓						
Treasury Management	CFO	✓	✓	✓				Q4
Payroll	HoOD							Q4
Lease Income *	HoNS							Q4 Follow-up
Information Technology								
Computer Implementations	HoPRQ	✓	✓	✓	Aug 20			
IT Security Governance	HoPRQ	✓	✓	✓				
IT Risk Management	HoPRQ	✓	✓	✓				
Hosted ICT Services	HoPRQ							Q4
Cyber Attack Response Pathway	HoPRQ	✓	✓	✓				
Service / Other Reviews								
Regeneration	SD (RP)							Q4
Building Control	SD (RP)	✓						
Neighbourhood Quality (Fly Tipping) *	HoNS	✓	✓	✓				Follow-up
Food Safety *	HoNS	✓						Follow-up
Licensing (Animal Welfare) *	HoNS	✓						Follow-up

* Denotes plan additions

Annexe 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	
Information Governance *	Follow-up of 19.20 limited assurance opinion audit.
Neighbourhood Quality (Fly Tipping) *	Follow-up of 19.20 limited assurance opinion audit.
Food Safety *	Follow-up of 19.20 limited assurance opinion audit.
Licensing (Animal Welfare) *	Follow-up of 19.20 limited assurance opinion audit.
Lease Income *	Follow-up of 19.20 limited assurance opinion audit.

Proposed December 2020 *

Audit reviews removed from the plan (excluded from rolling work programme)	
Service Continuity Planning (Loss of IT) *	Service and IT Business Continuity Plans are being refreshed in light of COVID-19. Defer the review until 21.22 to enable completion of the refresh/for the plans to become embedded.

Proposed December 2020*

Annexe 2 - Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions

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

Southern Internal Audit Partnership

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Havant Borough Council

Internal Audit Report

Financial Stability 2020/21 – COVID19 Response Plan

19 January 2021

Prepared by: Delia Goodwin

FINAL REPORT

Confidential

1. Introduction

- 1.1. As part of the Internal Audit Plan for 2020/21, we have undertaken a review of the Council's response to the COVID-19 pandemic, to ensure that the Council remains financially viable during and after the pandemic. The audit has focussed on the actions taken to mitigate the financial impact of COVID-19, on the financial stability of the Council in the short, medium and long term, as documented in the COVID-19 Response Plan.
- 1.2. This audit has not looked at any of the government COVID support schemes, administered by the Council on behalf of Central Government, such as the COVID Business Rates Grants.
- 1.3. We are grateful to Will Jackson and Synamon Harvey-Forrester for their assistance during the course of the audit.

2. Objectives

- 2.1. This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:
 - Roles, responsibilities and expectations in relation to the COVID-19 Response Plan budgetary control arrangements have been clearly communicated and understood.
 - The impacts of significant loss of income / additional expenditure are managed and reported on an ongoing basis, and potential budgetary savings are identified to reduce shortfalls.
 - Risks impacting on the delivery of the Medium-Term Financial Strategy and financial resilience of the Council are identified and assessed, and corrective actions are determined.
 - Procedures are in place to identify COVID-19 related grant funding opportunities. There is effective monitoring and reporting of all receipts and expenditure in relation to COVID-19 grant funding and required central government returns are made promptly and accurately.

3. Circulation List

3.1. This document has been circulated to the following:

- Lydia Morrison, Chief Finance Officer and Director of Corporate Services



The Southern Internal Audit Partnership conforms to the IIA's professional standards and its work is performed in accordance with the International Professional Practices Framework (*endorsed by the IIA*).

4. Summary Findings

Assurance Opinion		
Substantial		A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.

Management Action(s)	
High	0
Medium	0
Low	0
Total	0

Key Observations
<p>Areas assessed to be working well/controls are effective</p> <ul style="list-style-type: none"> At the start of the pandemic all Heads of Service (HoS) met daily for round table meetings to monitor the potential monetary impact of the COVID pandemic. These meetings were documented, with a subsequent recording of actions being tracked and HoS being kept informed of progress and new developments. A spreadsheet was established to capture all COVID related costs and loss of income during the lockdown, which HoS were able to access and update when further issues were identified. As instructed, HoS identified savings within existing Service area budgets. Evidence has been seen of identified savings being approved by budget holders to be redeployed to offset against COVID related costs. The monthly budget monitoring process, carried out by budget holders and Finance Business Partners, continues to monitor budgets, and provide the most up to date forecast for 20/21.

- The initial COVID response meeting and subsequent paper to Cabinet provided cashflow scenarios that reflected a potential loss of income of 50%, 75% and 90%.
- Quarterly Performance reports are provided to Cabinet regarding the continued impact on reduced income streams, additional COVID related costs, and funding available from the Government.
- As a result of the COVID pandemic the Corporate Risk Register was updated with an action to consider the impact of Covid-19 on the MTFS.
- An additional COVID Risk Register was created and is reviewed quarterly by the Governance Board, with risks to a reduction in cashflow being added with appropriate mitigating actions. Throughout this review evidence has been seen of these actions being implemented.
- The Governance Manager maintains a log of all funding streams and regularly monitors it for expected receipts. A review of the COVID cost centre transactions, confirmed Government grants had been received, in line with Government published figures, and identified savings within existing Services have been transferred to the COVID cost centre in readiness for reallocation.
- The returns, documenting the COVID financial impact figures, are being submitting monthly as required by the Ministry of Housing, Communities and Local Government.
- A process is in place to document and support the figures used for the Government's Sales, Fees and Charges Compensation Scheme submissions. The April-July return was certified by the s151 Officer.

5. Added Value

- 5.1. One of the Core Principles that underpin the Professional Practice of Internal Auditing is to 'promote organisational improvement'. The Added Value section of the report provides insight, opportunities and collaborative learning (best practice) that the organisation may wish to consider moving forwards. We do not consider the issues raised in this section to adversely impact the control environment in the achievement of objectives reviewed.
- 5.2. The points raised below are for management to discuss and consider within the context of the organisation, and Internal Audit do not require a response on these.

Added Value
<ul style="list-style-type: none">The work to determine the status of budget monitoring, for each of the cost centres, is not documented as part of the monthly budget monitoring process. Consideration could be given to including the BDM330 screen export, used by the Senior Business Partner, to monitor the budget monitoring status each month.

Appendix 1 – Definitions of Assurance Levels and Management Recommendations

We use the following levels of assurance and prioritisations in our audit reports:

Assurance Opinion	Framework of governance, risk management and management control
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Management Recommendation	Current risk
High Priority	A significant risk of; failure to achieve objectives; fraud or impropriety; system breakdown; loss; or qualification of the accounts by the organisation's external auditors. Such risk could lead to adverse impact on the organisation or expose the organisation to criticism.
Medium Priority	A serious, but not immediate risk of: failure to achieve objectives; system breakdown; or loss.
Low Priority	Areas that individually have no major impact, but where management would benefit from improved risk management and / or have the opportunity to achieve greater efficiency and / or effectiveness.

Assignment - Progress Control Sheet

Assignment stage	Assignment Progress				Comments
Audit Outline	Issued	06/11/2020	Agreed	14/12/2020	
Fieldwork commenced	Target	16/11/2020	Actual	16/11/2020	
Fieldwork completed	Target	24/12/2020	Actual	01/12/2020	
Close of audit meeting	Target	11/01/2021	Actual	11/01/2020	
Draft Report Issued	Target ¹	25/01/2021	Actual	18/01/2021	
Factual accuracy agreed and management response provided	Requested ²	01/02/2021	Provided	18/01/2021	
Draft final report issued	Target ³	25/01/2021	Actual	18/01/2021	
Senior management sign-off	Requested ⁴	25/01/2021	Provided	19/01/2021	
Final report issued	Target ⁵	21/01/2021	Actual	19/01/2021	

¹ Within 10 working days of close of audit meeting

² Within 10 working days of draft report issued

³ Within 5 working days of receipt of management response

⁴ Within 5 working days of draft final report issued

⁵ Within 2 working days of senior management sign-off

NON-EXEMPT

HAVANT BOROUGH COUNCIL

Governance, Audit & Finance Board

1 February 2021

Draft Budget 2021-22

FOR NOTING

Portfolio Holder: Cllr Mark Inkster

Key Decision: No

Report Number: [HBC/.../20]

1. Purpose

- 1.1. This paper is submitted to Governance, Audit & Finance Board to provide a summary of the draft revenue and capital budget proposals for 2021/22.

2. Recommendation

- 2.1. Members are requested to forward any comments to Cabinet on the draft budget.

3. Executive Summary

- 3.1. The draft Budget 2021-22 has been prepared in the context of the ongoing Covid-19 pandemic. As a result of the pandemic, Central Government postponed the multi-year Spending Review settlement in favour of a one-year settlement which has further created uncertainty in the medium and long term on local Government finances.
- 3.2. The revenue budgets are set on an incremental approach, identifying areas of pressure and potential areas of savings compared to the previous year budget. Staffing and contract costs are our two major expenses and are subject to yearly inflationary increases.
- 3.3. Ahead of the draft Local Government Financial Settlement the budget was prepared on the assumption that no further central Government financial assistance would be provided and accordingly through organisational efficiencies the organisation was able to achieve savings to reduce the cost of services.

- 3.4. Following the draft Local Government Financial Settlement new funding has been provided which has further assisted towards setting a balanced budget. However, at present a further £0.204M is required to be identified of which Cabinet are looking at options to reduce this deficit.
- 3.5. Further details on the draft budget are included in the appendices including the draft revenue budget (appendix A), medium term financial strategy (appendix B), approved capital programme and budget position including budget movements (appendix D).

4. Additional Budgetary Implications

- 4.1. None

5. Background and relationship to Corporate Strategy and/or Business Plans

- 5.1. The budget has been built to support and deliver the Corporate Strategy.
- 5.2. Due to the one-off windfalls from the draft Local Government Financial Settlement the Cabinet have been able to move towards a balanced budget. Savings have been identified across a number of services in particular within professional fees, contract savings, increased income and through new ways of working as a result of the pandemic. Full details of savings and increases in costs within services can be found at appendix D.
- 5.3. The key implications as a result of the draft 2021-22 Local Government Financial Settlement are:
- a. Ability for Borough Council's to raise Council Tax by 2% or £5 (whichever is the highest) without the need to hold a referendum.
 - b. A further funding allocation of un-ringfenced monies to response to Covid-19 – £0.743M
 - c. A new un-ringfenced Lower Services Tier Grant - £0.200M
 - d. An extension of the lost sales, fees and charges income recovery scheme for the first three months of the next financial year
 - e. Additional funds of un-ringfenced grant funding to enable Council to continue reducing Council Tax bills for those least able to pay, including households affected by Covid-19.
 - f. A new scheme to cover collection fund (council tax and business rates) losses of upto 75% of irrecoverable losses.
 - g. New Homes Bonus to continue for a further year, however there will be no new legacy payments and there is a commitment to reform the scheme going forward - £0.347M.

6. Options considered

- 6.1. It is a requirement to set a balanced budget.
- 6.2. Governance, Audit & Finance Board is invited to consider the draft Budget before it goes forward to Cabinet. Cabinet can then consider any comments from Governance, Audit & Finance Board in advance of proposing the draft Budget to Full Council.

7. Resource Implications

- 7.1. Financial Implications – the draft budget reflects the aspirations of the organisations for 2021/22 as per the approved Corporate Strategy and has been built on the basis for delivering the Council services with the resources required to deliver those plans.
- 7.2. Human Resources Implications - None
- 7.3. Information Governance Implications - None

Section 151 Officer comments

Date: 22/01/2021

None

- 7.4. Other resource implications - None

8. Legal Implications

- 8.1. It is a Borough function to approve the budget framework and the Council Tax amount annually. The February Full Council meeting formally exercises this power. Governance, Audit & Finance Board are provided the draft budget ahead of February Cabinet and Council in order to feed back any recommendations for Cabinet to consider within the budget

9. Risks

- 9.1. The 2021/22 budget preparation has identified the following key corporate risks:

Covid-19 pandemic – during 2020-21 the Council has been faced with the additional responsibilities of the pandemic. The Council has had to act quickly to

respond to the needs of the residents and businesses while ensuring the organisation remains in a strong financial position. Going forward, the Council remains in response phase to the pandemic with ongoing support to residents through the Local Resource Centre and support to businesses through the timely distribution of grants during business closures. During 2021-22 uncertainty around the impact of Covid will remain and once the pandemic passes there will be considerable work on the recovery of the area and likely financial pressures as a result of the expected recession.

Funding – The Government will not proceed with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2021-22. In order to provide further stability, the reset of accumulated business rates growth will not now take place in 2021-22. The Government has acknowledged that the reasoning behind this is to allow for Councils to focus on meeting the immediate public health challenges posed by the Covid-19 pandemic. However, it should be noted that once the pandemic is through further decisions on Local Government finance reform will be taken in the context of next year's Spending Review.

The Government has set out its intention to hold a consultation on the future of the New Homes Bonus, with a view to implementing reform in 2022/23 and therefore the assumption is that the current scheme will end next year.

10. Consultation

- 10.1. The budgets have been built in consultation with Directors, Heads of Service, budget holders and Portfolio Holders.
- 10.2. On 25th November 2020 and 1st December 2020 Budget review sessions were held with Leader, Deputy Leader, Finance Portfolio Holder and Cabinet members to review service budgets and consider any potential additional savings.
- 10.3. An all member budget briefing took place on 20 January 2021 for Councillors to be briefed on the outline draft budget ahead of discussion at Full Council.

11. Communication

- 11.1. Subject to approval by Full Council the finalised budgets will be published on the Council website.

12. Appendices

Appendix A – Draft Revenue Budget
Appendix B – Draft Medium-Term Financial Strategy

Appendix C – Draft Capital Budget
Appendix D – Scrutiny Budget Information

13. Background papers

13.1. None

Agreed and signed off by:

Portfolio Holder: Cllr Inkster

Director & Section 151 Officer: Lydia Morrison

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**Havant Borough Council
General Fund Summary
Draft Revenue Budget 2021/22**

	2021/22 Draft Budget £ (000)
Director of Corporate Services	
5 Councils Staff and Contract	287
Head of Legal	924
Head of Organisational Development	724
Head of Programmes Redesign	3,039
Head of Customer Services	3,700
Head of Strategic Commissioning	3,855
Head of Finance	1,139
Director of Regeneration and Planning	
Head of Coastal Partnerships	417
Head of Neighbourhood Support	(487)
Head of Housing	549
Head of Planning	560
Head of Community Engagement	584
Head of Property	(1,858)
Head of Regeneration (South)	562
Total Cost of Services	13,995
Regeneration Investments	(198)
Net Cost of Services	13,797
Funding	
Business Rates Retention	(4,496)
Section 31 grant	(1,953)
Levy payment	996
Business Rates Collection fund (surplus)/Deficit	1,439
Council Tax	(8,890)
Council Tax Collection Fund (surplus)/Deficit	(136)
General Grants	
New Homes Bonus Grant	(347)
Other Financing	
Covid 2021-22 allocation	(743)
Lower Tier Services Grant	(200)
Contributions to/(from) Earmarked Reserves	737
Contributions to/(from) General Fund Balance	
Total Deficit/(Surplus)	204

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Havant Borough Council
General Fund Summary
2021/22 to 2025/26 Medium Term Financial
Strategy

	2021/22	2022/23	2023/24	2024/25	2025/26
	Draft	Estimate	Estimate	Estimate	Estimate
	Budget	Estimate	Estimate	Estimate	Estimate
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Director of Corporate Services					
5 Councils Staff and Contract	287	287	287	287	287
Head of Legal	924	924	924	924	924
Head of Organisational Development	724	724	724	724	724
Head of Programmes Redesign	3,039	3,039	3,039	3,039	3,039
Head of Customer Services	3,700	3,700	3,700	3,700	3,700
Head of Strategic Commissioning	3,855	4,064	4,277	4,495	4,717
Head of Finance	1,139	1,139	1,139	1,139	1,139
Director of Regeneration and Planning					
Head of Coastal Partnerships	417	417	417	417	417
Head of Neighbourhood Support	(487)	(487)	(487)	(487)	(487)
Head of Housing	549	549	549	549	549
Head of Planning	560	560	560	560	560
Head of Community Engagement	584	584	584	584	584
Head of Property	(1,858)	(1,858)	(1,858)	(1,858)	(1,858)
Head of Regeneration (South)	562	562	562	562	562
Total Cost of Services	13,995	14,204	14,417	14,635	14,857
Savings to be identified					
Regeneration Investments	(198)	(198)	(198)	(198)	(198)
Salary inflation (cumulative)		383	777	1,183	1,601
Other cost inflation (cumulative)		250	500	750	1,000
Net Cost of Services	13,797	14,639	15,496	16,370	17,260
Business Rates Retention	(4,496)	(4,293)	(4,379)	(4,467)	(4,556)
Section 31 grant	(1,953)	(1,992)	(2,032)	(2,072)	(2,114)
Levy payment	996	1,016	1,036	1,057	1,078
Business Rates Collection fund (surplus)/Deficit	1,439				
Council Tax	(8,890)	(9,113)	(9,341)	(9,576)	(9,816)
Council Tax Collection Fund (surplus)/Deficit	(136)				
General Grants					
New Homes Bonus Grant	(347)	(91)	0	0	0
Other Financing					
Covid 2021-22 allocation	(743)				
Lower Tier Services Grant	(200)				
Contributions to/(from) Earmarked Reserves	737	789	789	789	789
Contributions to/(from) General Fund Balance					
Total Deficit/(Surplus)	204	955	1,568	2,101	2,641

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	YTD	5 YEAR CAPITAL PROGRAMME				
Havant Borough Council Capital Programme Summary Project	2020/21 Revised Forecast £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Housing						
Disabled Facilities Grants	1,628	1,628	1,628	1,628	1,628	1,628
IT Equipment						
Design and System Implementation Programme		204				
Asset Maintenance Management System	0	35				
Building Control - Software	15	0				
Southern Coastal	0	0				
Vehicles and Equipment						
Pest Control Vehicles						
Refurbishment of HBC equipped play areas	70					
New Allotments	0	135				
Land and Buildings						
HBC Plaza Development Phase 1	0					
Developer contributions / CIL		1,044				
Hayling Island Goose Refuge	0					
Nutrient Neutrality Mitigation	216					
Hayling Island BMA	620	426				
Hayling Island Strategy	215	263	65			
Broadmarsh Feasibility	48					
Langstone FCERM	163	501	132	2,233	1,125	
Grand Totals	2,975	4,236	1,825	3,861	2,753	1,628
Projected Capital Financing	2020/21 Revised Forecast £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
REFCUS (Revenue funded as Capital under Statute)	1,628	1,628	1,628	1,628	1,628	1,628
External Grants & Contributions	1,262	2,234	197	2,233	1,125	0
Use of Specific Reserves	85	239	0	0	0	0
Use of Capital Receipts	0	135	0	0	0	0
Borrowing Requirement						
Revenue Funding						
Total Projected Funding	2,975	4,236	1,825	3,861	2,753	1,628

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Havant Borough Council

Governance, Audit & Finance Board
Draft Budget Scrutiny
1st February 2021

Covid-19 Financial Support

- Additional £7.2 billion of funding, £4.2 billion un-ringfenced distributed through the Covid related needs formula
- Sales, Fees and Charges recovery scheme covering 75% of losses over 5%
- Tax guarantee scheme offsetting 75% of irrecoverable Council Tax and Business Rates, deficit to be spread over 3 years
- £100 million support for Leisure

Financial Support

- Emergency Assistance Fund: £136k
- High Street Fund: £112k
- Compliance & Enforcement: £67k
- Homelessness: £306k
- Clinically Extremely Vulnerable: £56k
- Control Outbreak Management Fund: £126k
- Leisure: £? (tbc)
- Covid grant: £2.1M
- Lost Sales, Fees & Charges: £393k
- Efficiency savings identified: £463k

Support to businesses

- 1st Lockdown: Business Grants (completed)
 - Small Business, Extended Retail, Hospitality & Leisure: £16.6M
 - Discretionary Scheme: £840k
- 2nd Lockdown: Local Restrictions Grants (ongoing)
 - Numerous schemes established covering Tier 2 and Tier 4 restrictions
- 3rd Lockdown: Business Grants (5 January onwards)
 - New Closed Business Lockdown

Support to residents

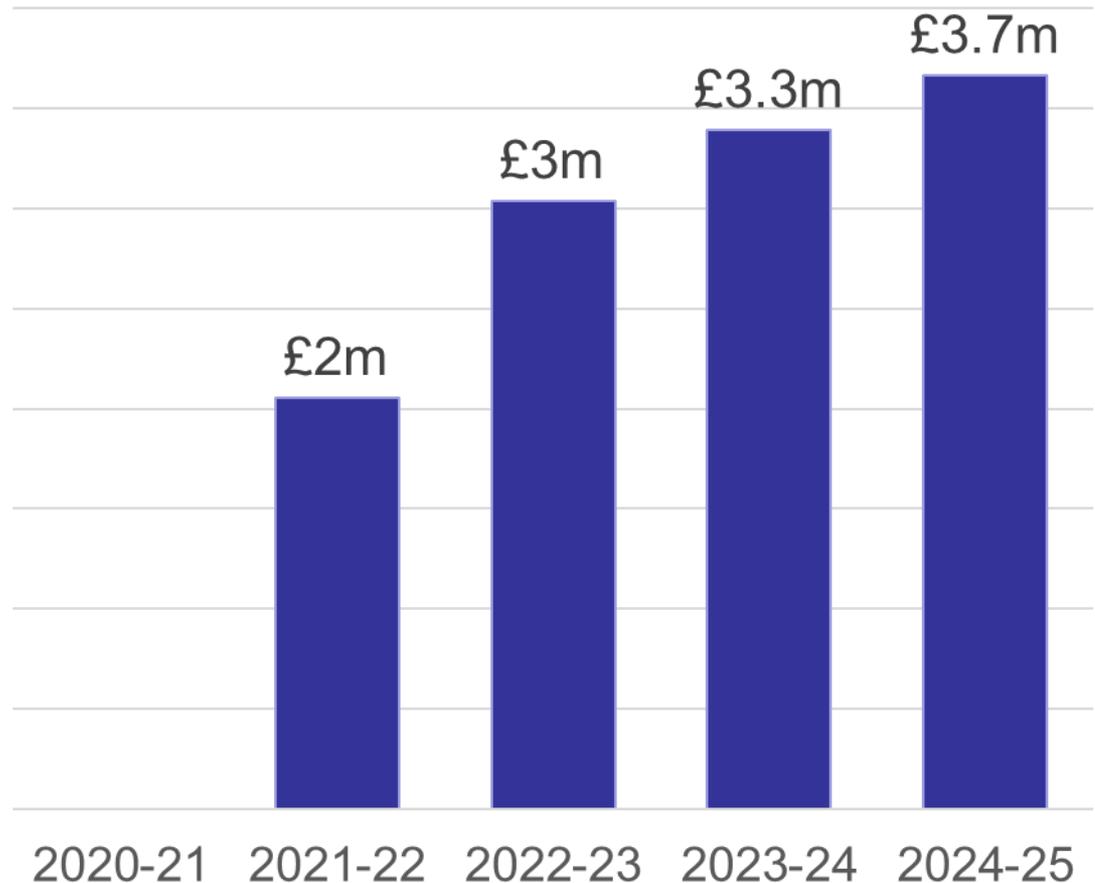
- Council Tax Support Scheme: £396k paid to date
- Test & Trace isolation payment: £42k paid to date
- Local Resource Centre established, total cases handled: 1,463
- Emergency Assistance Fund and Clinically Extremely vulnerable work
- Homelessness support through use of temporary accommodation

21/22 Provisional Settlement

- Additional New Homes Bonus round
- New Lower Tier Services Grant
- Additional Covid support
- Referendum principles

2021-22 initial draft budget position

- Decrease in central government grants particularly New Homes Bonus
- Increased staff costs and contract costs (inflationary)
- Assumed growth in Council Tax
- MTFS indicates that substantial savings are required in the next 5 years



2021-22 Budget proposals

- Initial budget review within services generated savings of £300k in Corporate Services directorate offsetting increases in Regeneration & Place directorate
- Cabinet budget Challenge resulted in £490k further savings
- Remains current deficit shortfall of approx. £200k
- Proposed £5 uplift in Council Tax
- Minimum 2% non-statutory uplift in Fees & Charges
- £198,000 into Meridian Reserve
- £789,000 into Pensions Reserve
- £250,000 drawn down from Housing Reserve to cover additional Covid costs

	2020/21 (Rebased) Budget £ (000)	2021/22 Draft Budget £ (000)
Director of Corporate Services		
5 Councils Staff and Contract	629	287
Head of Legal	874	924
Head of Organisational Development	829	724
Head of Programmes Redesign	2,990	3,039
Head of Customer Services	3,290	3,700
Head of Strategic Commissioning	4,231	3,855
Head of Finance	1,066	1,139
Director of Regeneration and Planning		
Head of Coastal Partnerships	547	417
Head of Neighbourhood Support	(302)	(487)
Head of Housing	352	549
Head of Planning	684	560
Head of Community Engagement	847	584
Head of Property	(1,513)	(1,858)
Head of Regeneration (South)	530	562
Other Operating I&E	853	0
Depreciation	(1,104)	0
Regeneration Investments	(339)	(198)
Capital Expenditure Charged to Revenue	127	0
Net Cost of Services	14,591	13,797
Funding (Council Tax & Business Rates)	(14,170)	(13,040)
New Homes Bonus	(902)	(347)
Additional Funding (Covid & Lower Services)		(943)
Earmarked Reserves	481	737
Total Deficit/(Surplus)	0	204

2021-22 draft Budget

- Still to identify £204,000
- Service budgets have reduced
- Insurance and depreciation centralised

	2021/22 Draft Budget £ (000)	2022/23 Estimate £ (000)	2023/24 Estimate £ (000)	2024/25 Estimate £ (000)	2025/26 Estimate £ (000)
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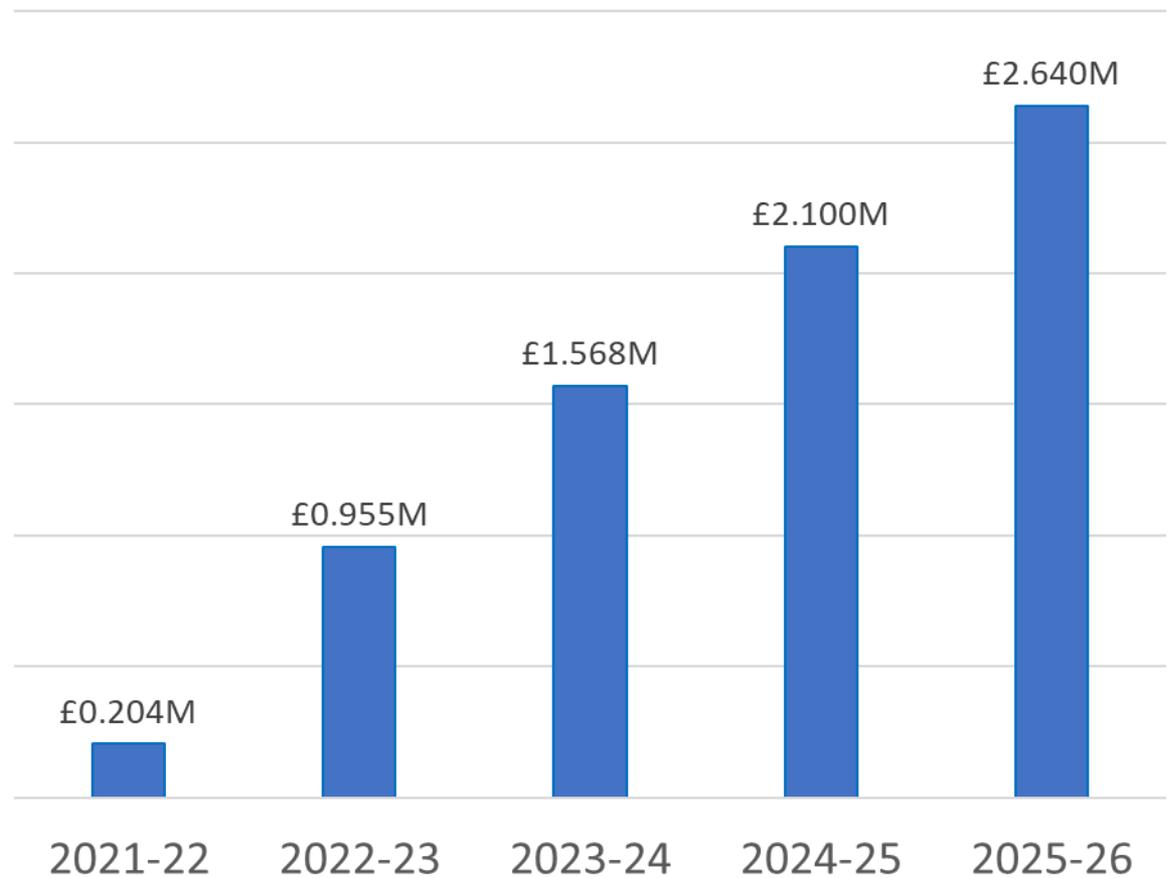
Medium Term Financial Strategy

- Major contracts uplifted by 2%
- Salary inflation at 3% to also cover pay increments
- Other cost inflation line added to represent potential one-offs
- Removal of one off Government grants (Covid and Lower Services Tier) and reduction in New Homes Bonus
- Increase in Council Tax at 2%

Medium Term Financial Strategy 2021-22 to 2025-26

- Forecast deficits going forward of £0.955M in 2022-23 and growing further to £2.640M in 2025-26
- Deficits driven by removal of Government grants and service pressures (primarily staffing inflation and contract inflation costs)
- Impact of future review of Local Government finances not known at present
- Further significant savings/additional income will need to be identified over the period in order to meet shortfall.

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Next Steps

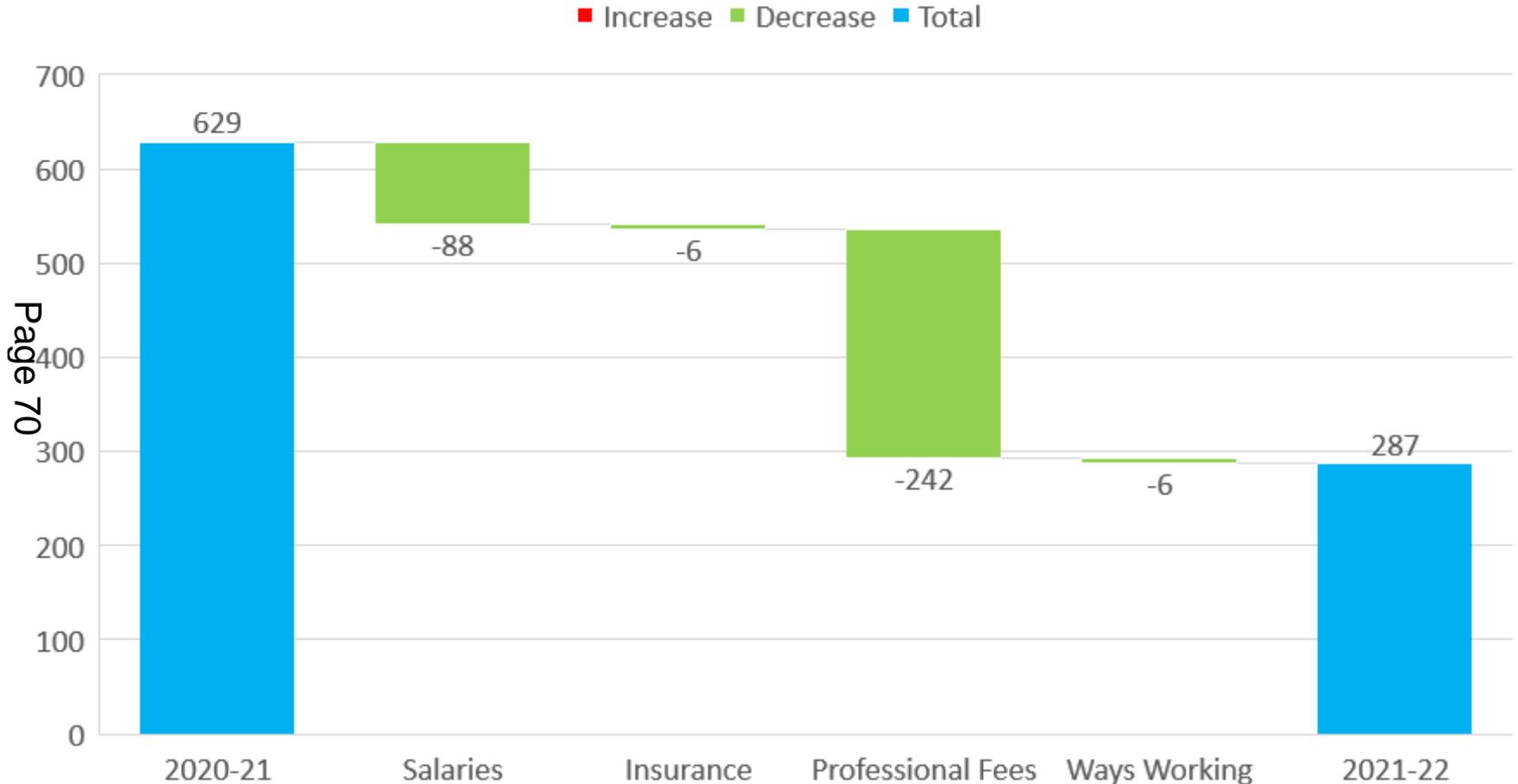
- Budget Scrutiny: 1 February
- Budget Cabinet: 10 February
- Full Council: 24 February

Service breakdown

- Summary of all services movements for 2021-22 against the 2020-21 budget

5-Councils

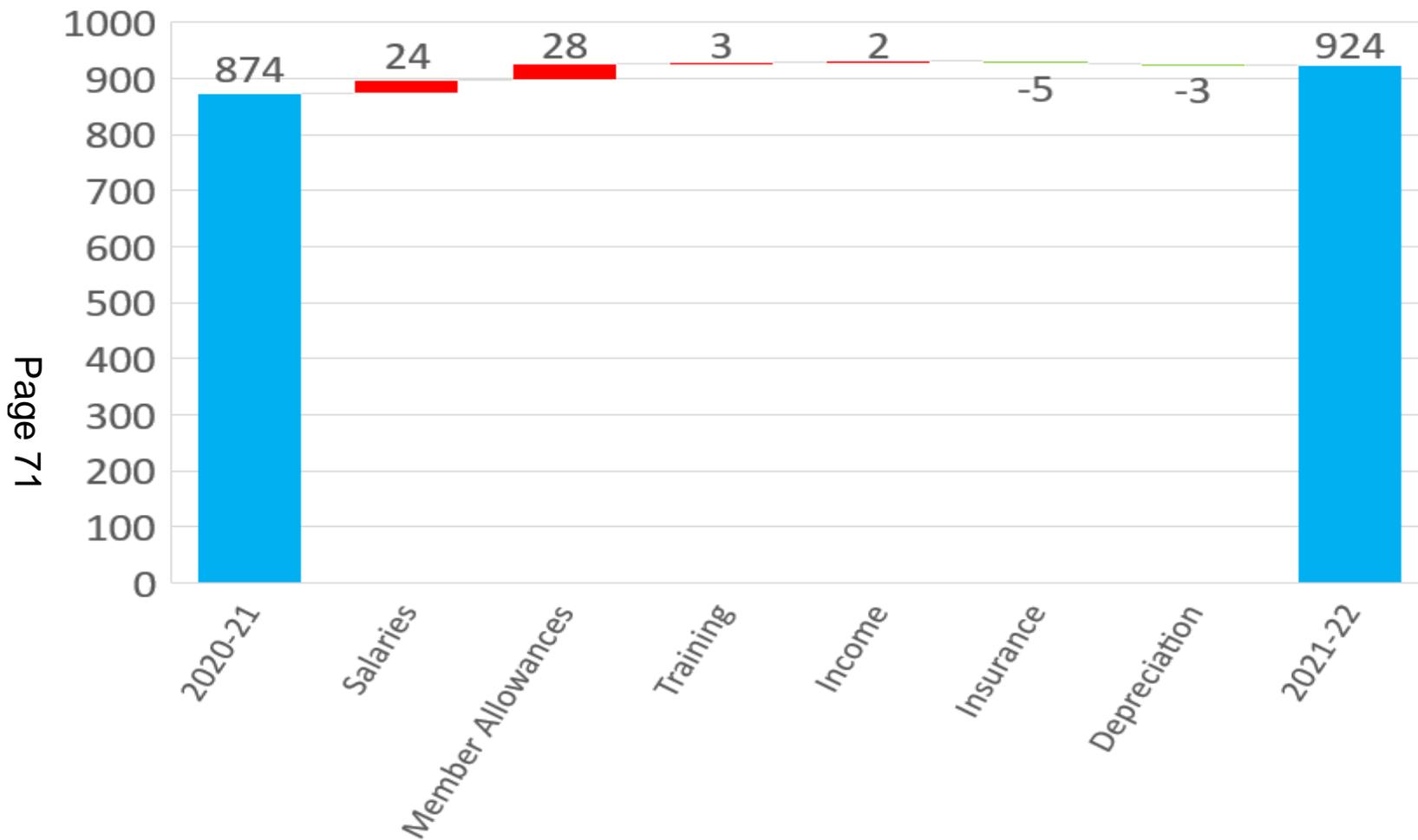
2020-21 Net Budget: £0.629M
2021-22 Net Budget: £0.287M
Reduction: £0.342M



Services: Management and oversight of the 5-Councils contract including staffing

Legal & Democratic

2020-21 Net Budget: £0.874M
2021-22 Net Budget: £0.924M
Growth: £0.050M



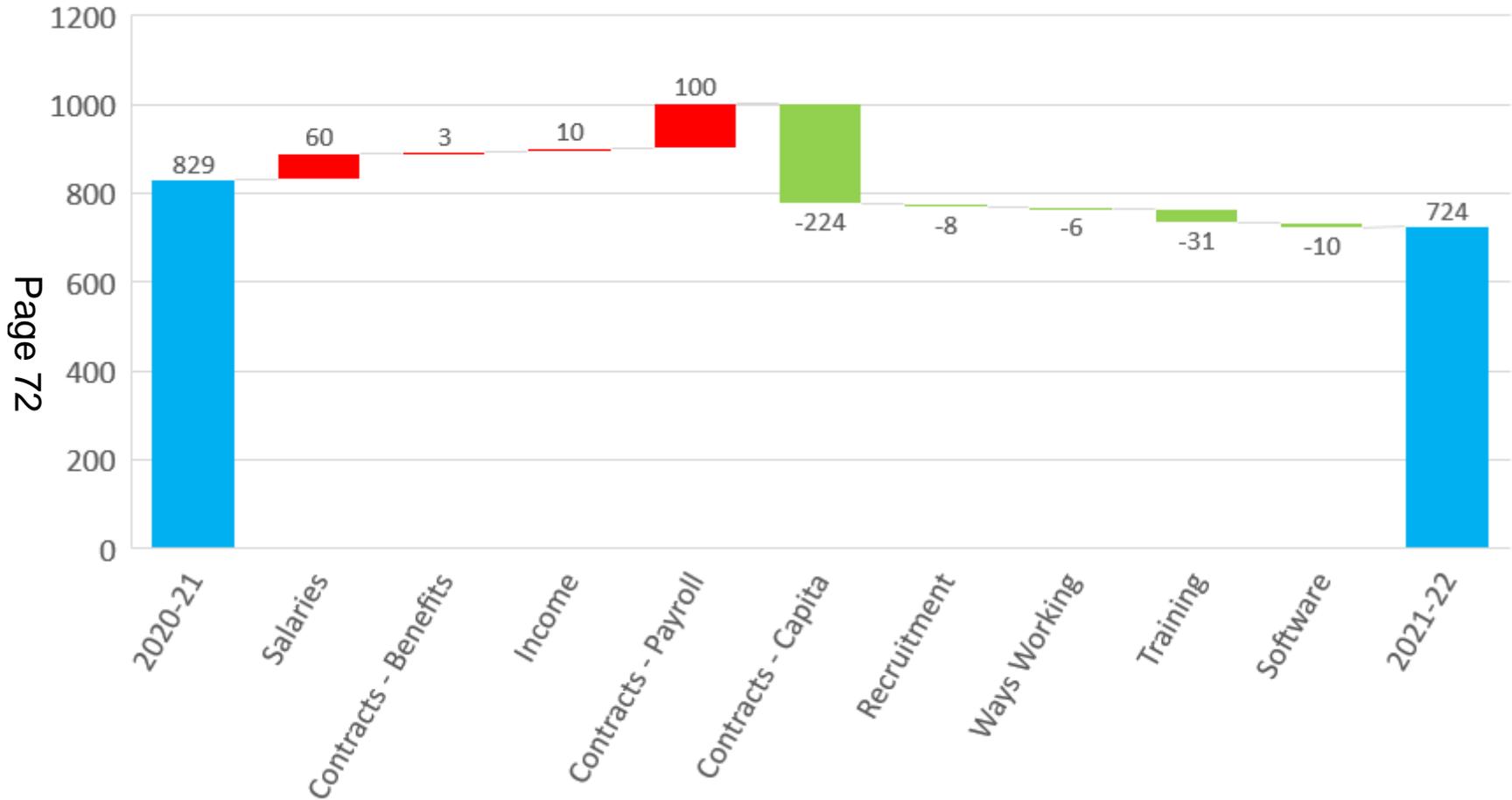
Services: Legal Services provision for organisation,
Democratic Services function for Members, Member costs

Organisational Development

2020-21 Net Budget: £0.829M

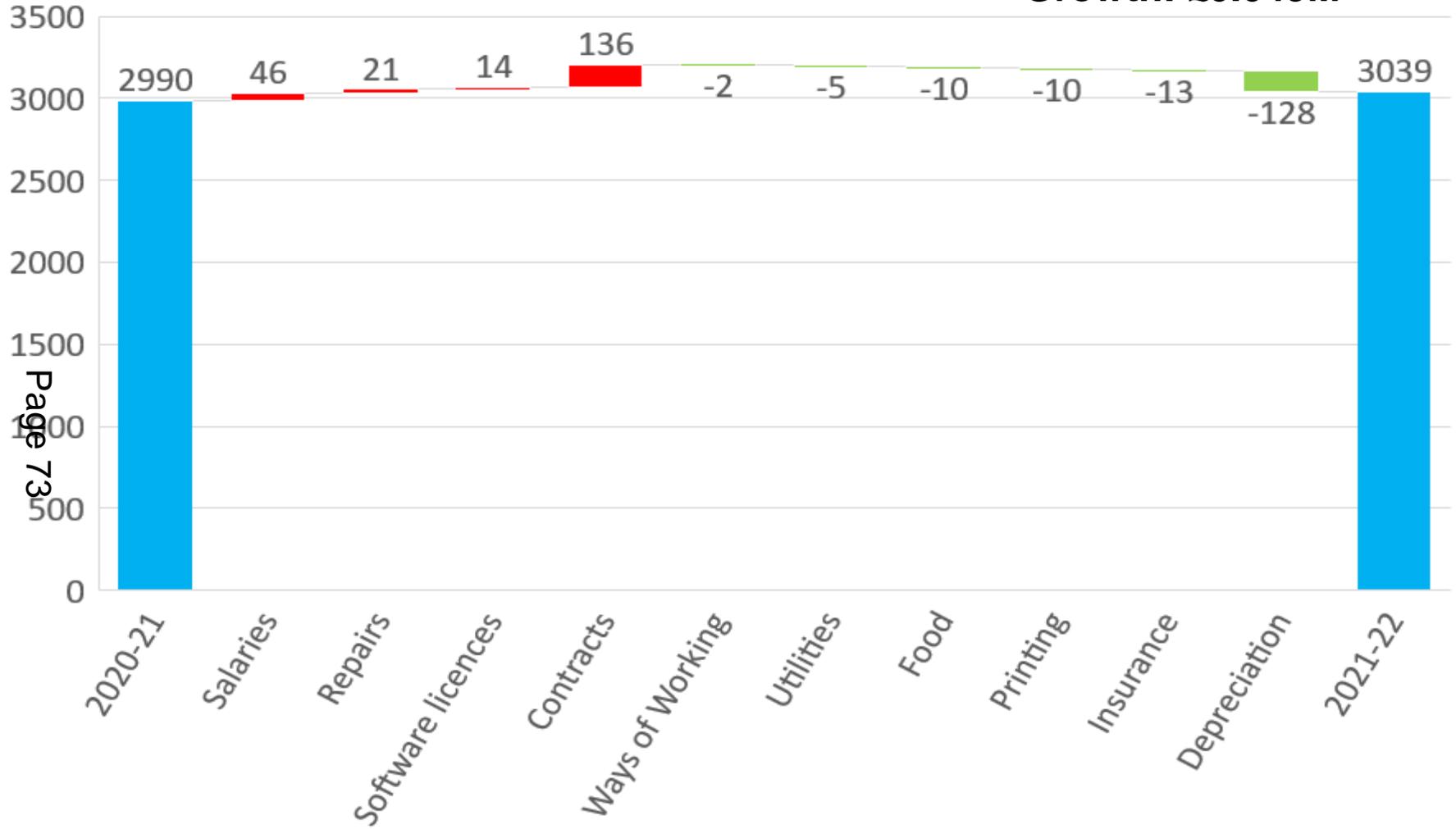
2021-22 Net Budget: £0.724M

Reduction: £0.105M



Services: Human Resources, communications, Health & Safety and Emergency Planning

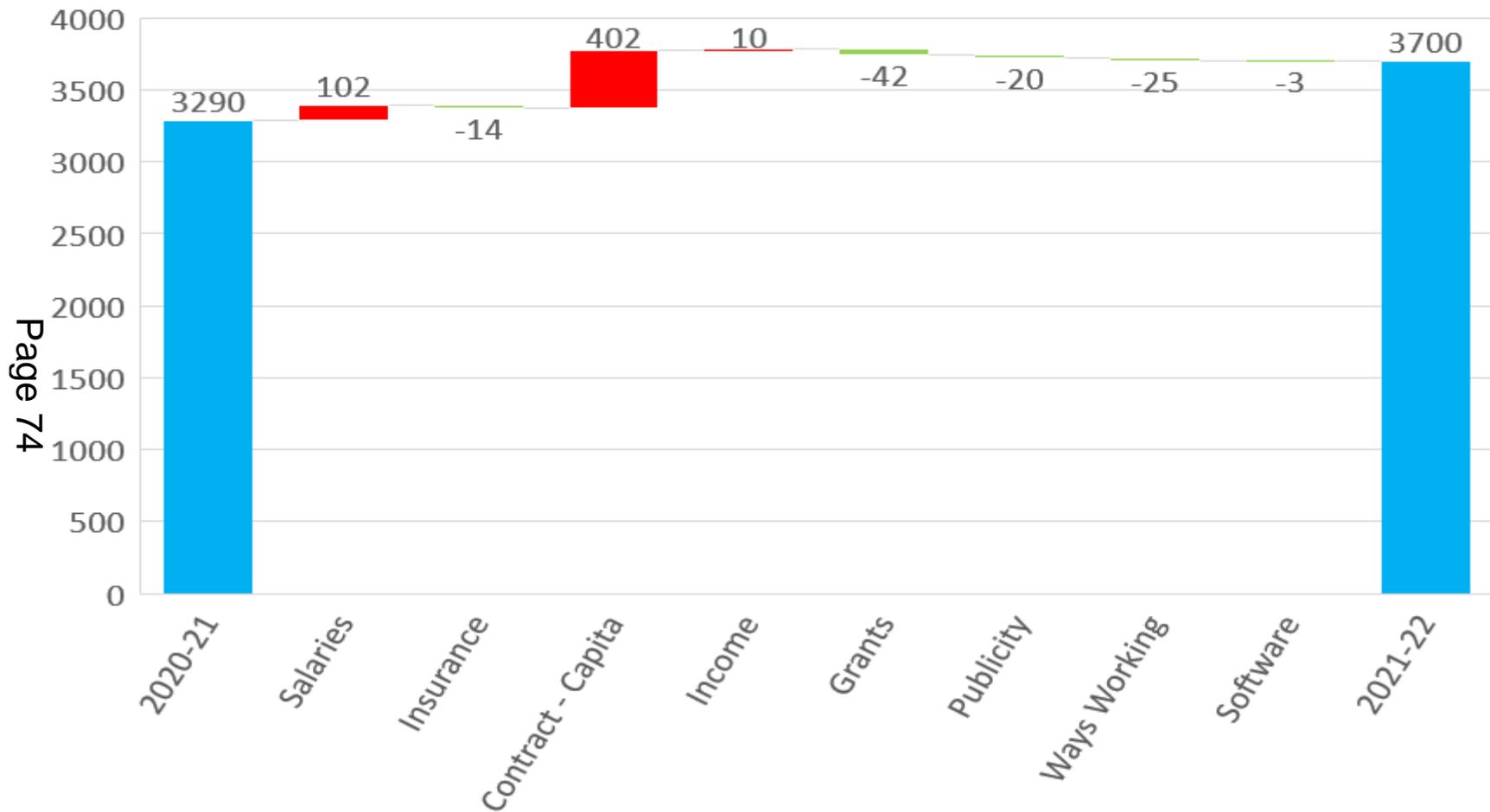
2020-21 Net Budget: £2.990M
2021-22 Net Budget: £3.039M
Growth: £0.049M



Services: Business Solutions, Facilities, Building Maintenance, Digital (including IT contract), Corporate Governance and Information Governance

Customer Services

2020-21 Net Budget: £3.290M
2021-22 Net Budget: £3.700M
Growth: £0.410M

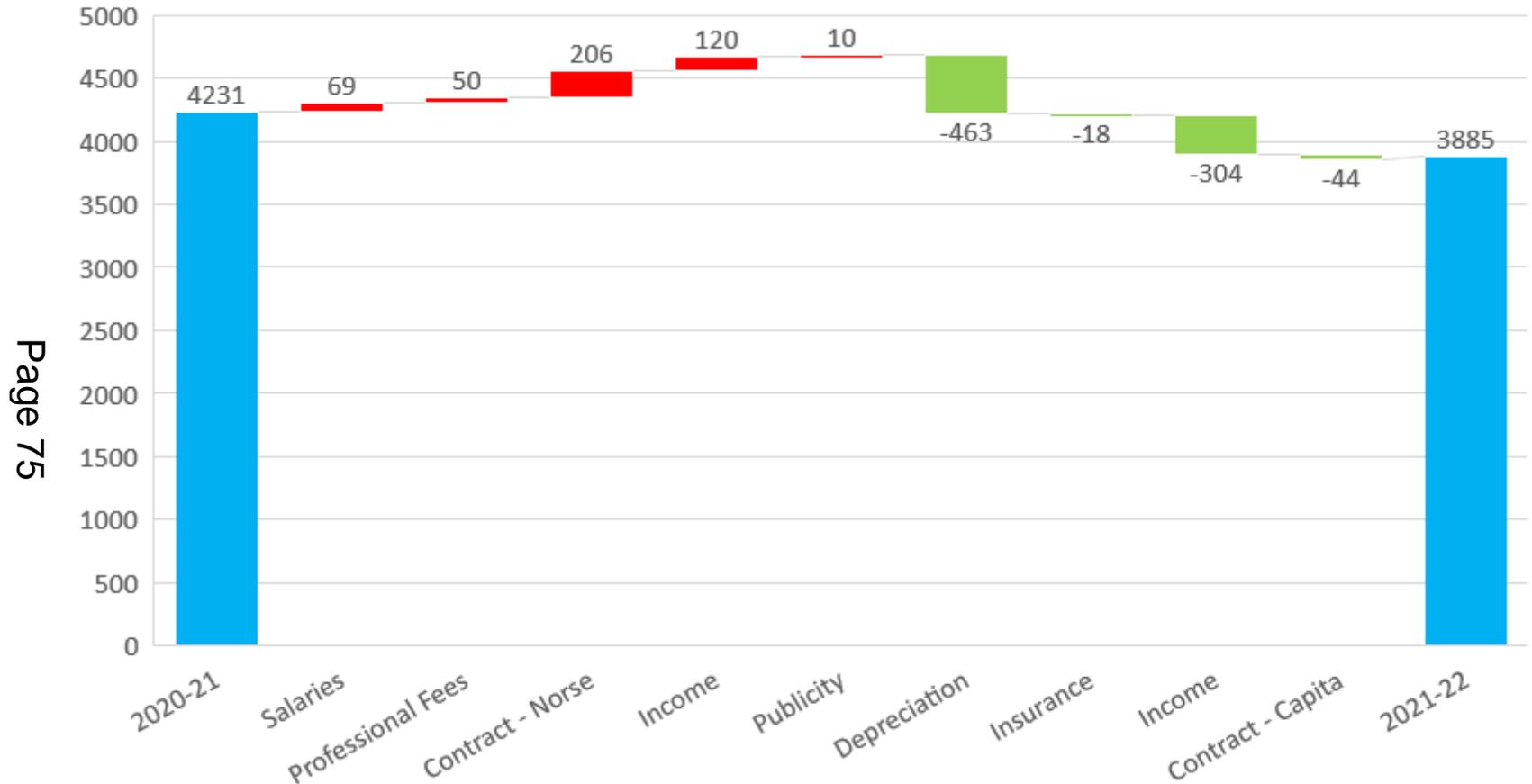


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Services: Revenue & Benefits and Customer Services contract, Corporate Support, Executive Office, Elections, Land Charges, Insight, Print & Post services

Strategic Commissioning

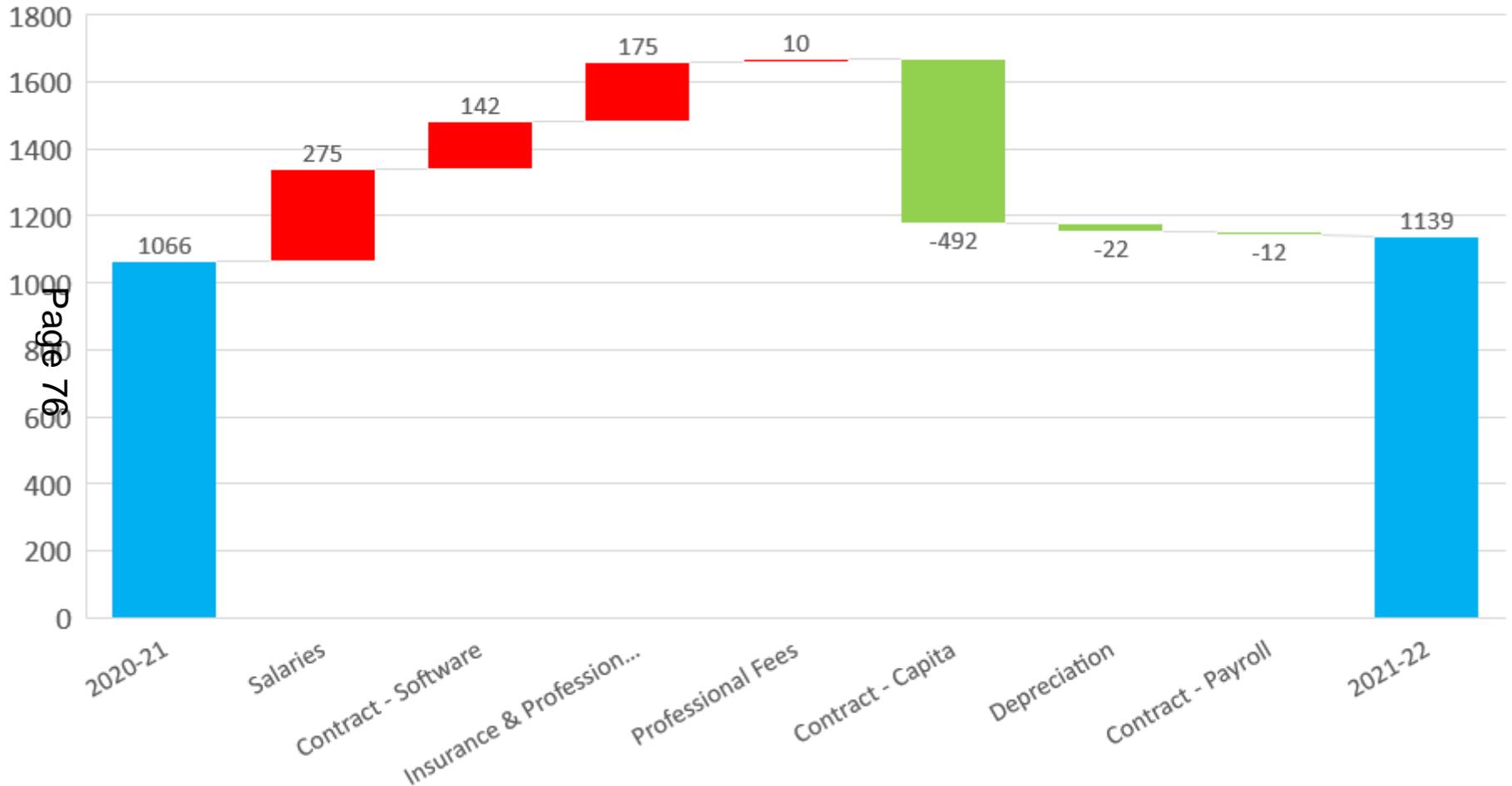
2020-21 Net Budget: £4.231M
2021-22 Net Budget: £3.885M
Reduction: £0.346M



Services: Norse Contract, Leisure & Procurement

Finance

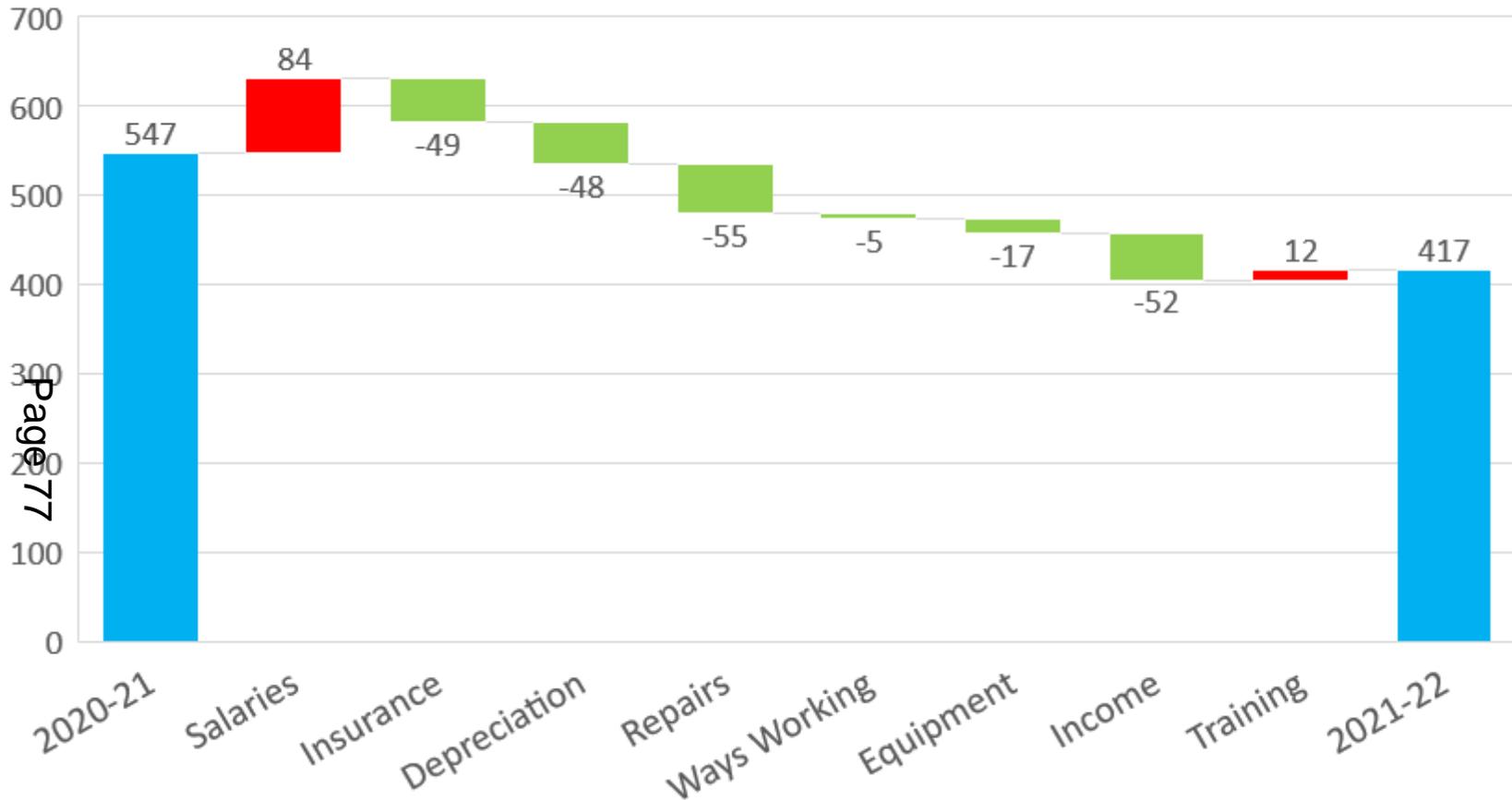
2020-21 Net Budget: £1.066M
2021-22 Net Budget: £1.139M
Growth: £0.073M



Services: Accountancy & Treasury Management (note that Exchequer coming back in house in 2021)

Coastal & CELT

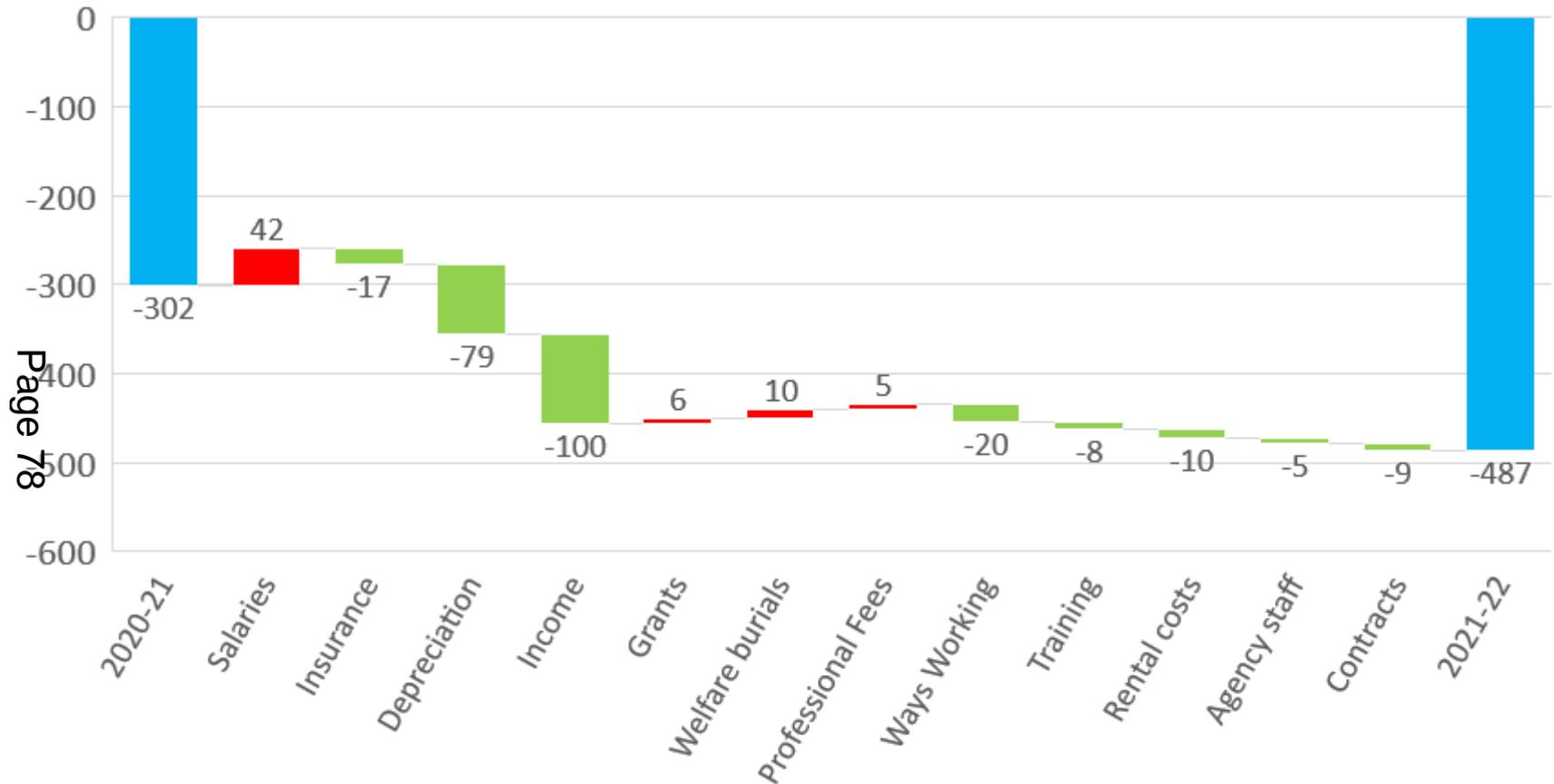
2020-21 Net Budget: £0.547M
2021-22 Net Budget: £0.417M
Reduction: £0.130M



Services: Coastal Partnership, Civil Engineering & Landscaping

Neighbourhood Support

2020-21 Net Budget: -£0.302M
2021-22 Net Budget: -£0.487M
Reduction: £0.185M



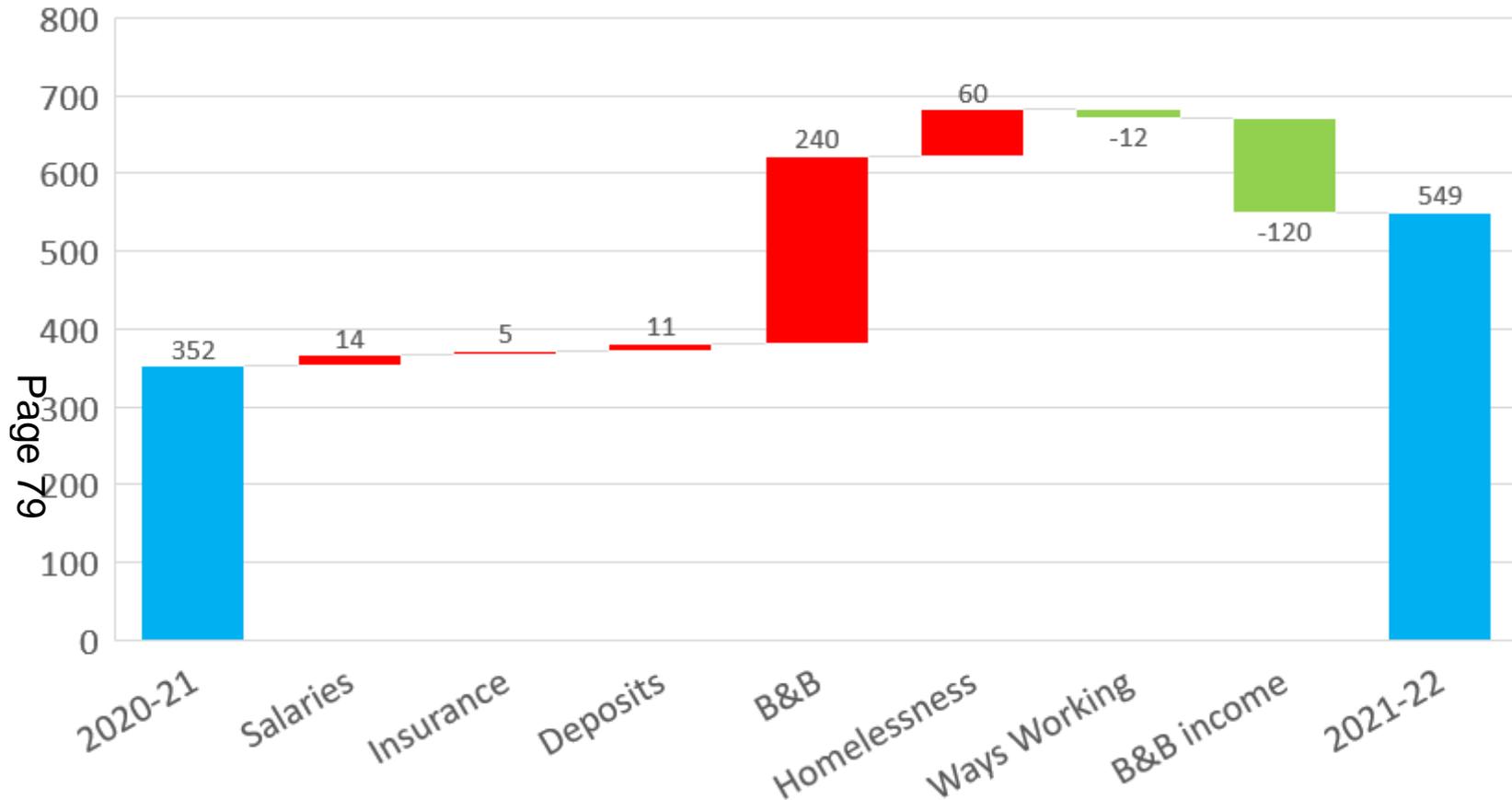
Services: Environmental Health, Food Safety, Enforcement, Private Sector Housing, Parking, Community Safety, Pest Control

Housing

2020-21 Net Budget: £0.352M

2021-22 Net Budget: £0.549M

Growth: £0.197M



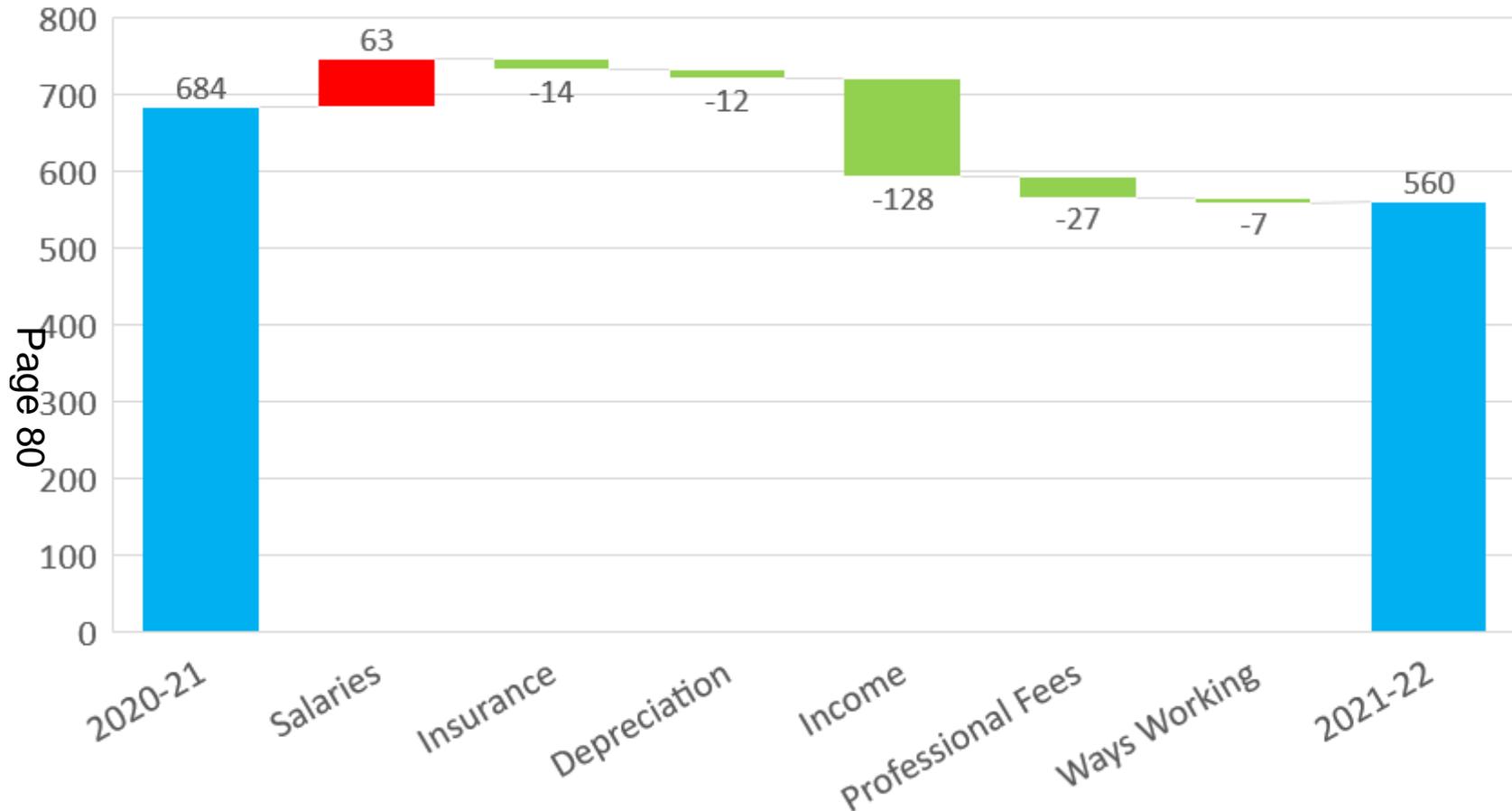
Services: Housing Advisory, Homelessness, Housing Development

Planning

2020-21 Net Budget: £0.684M

2021-22 Net Budget: £0.560M

Reduction: £0.124M



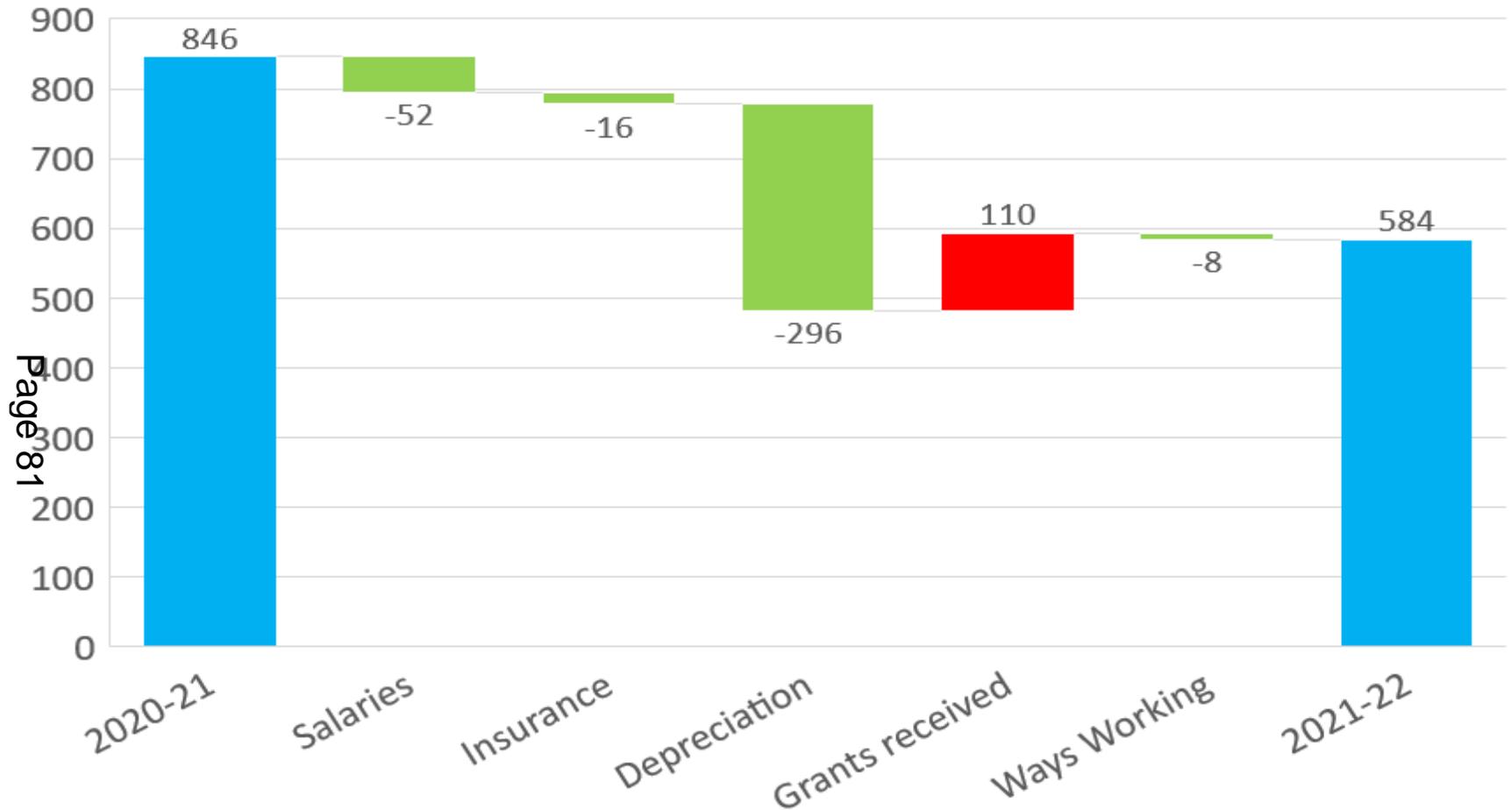
Services: Planning applications, Planning Policy (Local Plan), CIL & s106, Building Control

Communities

2020-21 Net Budget: £0.846M

2021-22 Net Budget: £0.584M

Reduction: £0.262M



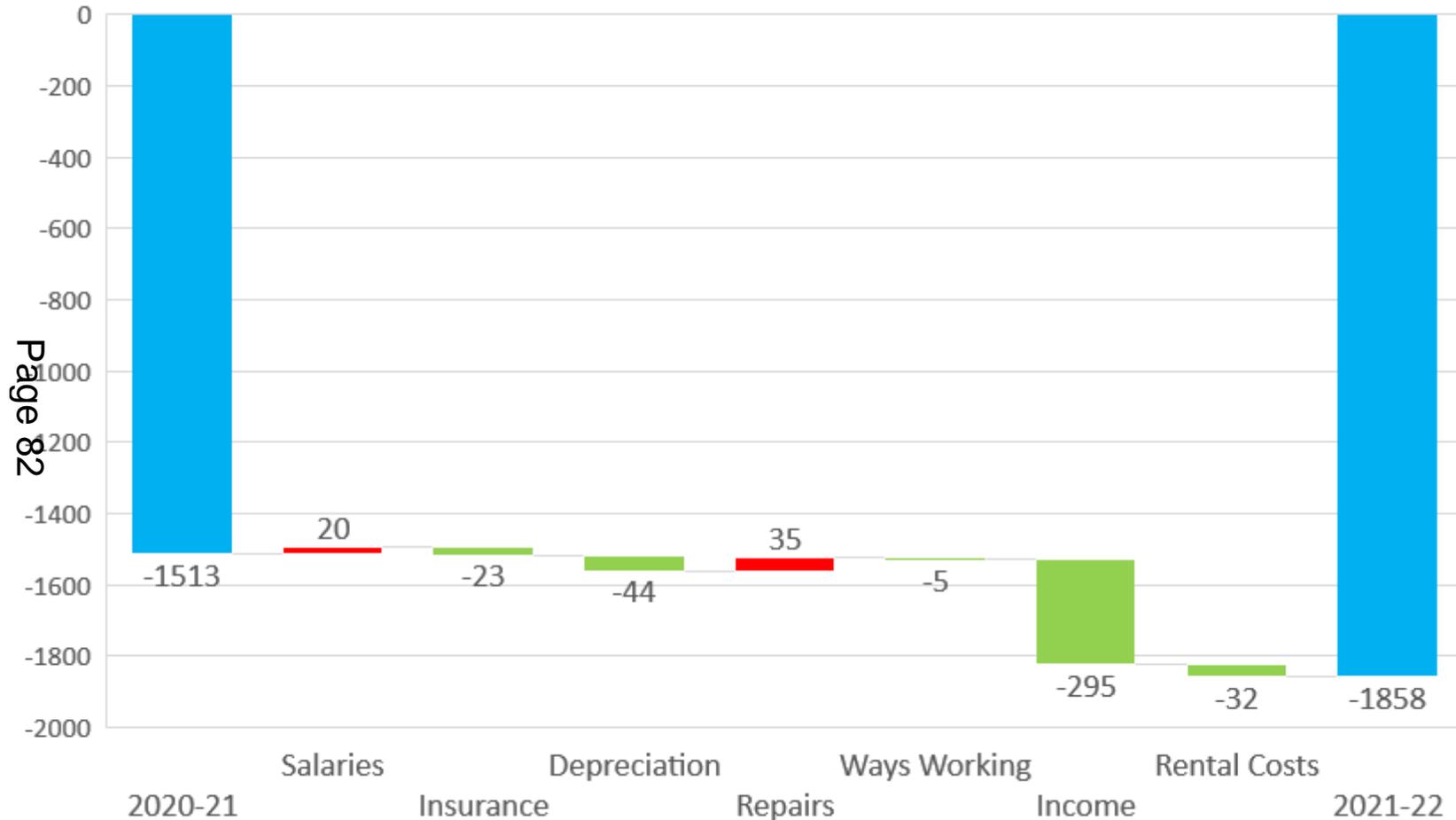
Services: Community Support, Leisure, Health & Wellbeing, Youth Conference, Events

Property

2020-21 Net Budget: -£1.513M

2021-22 Net Budget: -£1.858M

Reduction: £0.345M



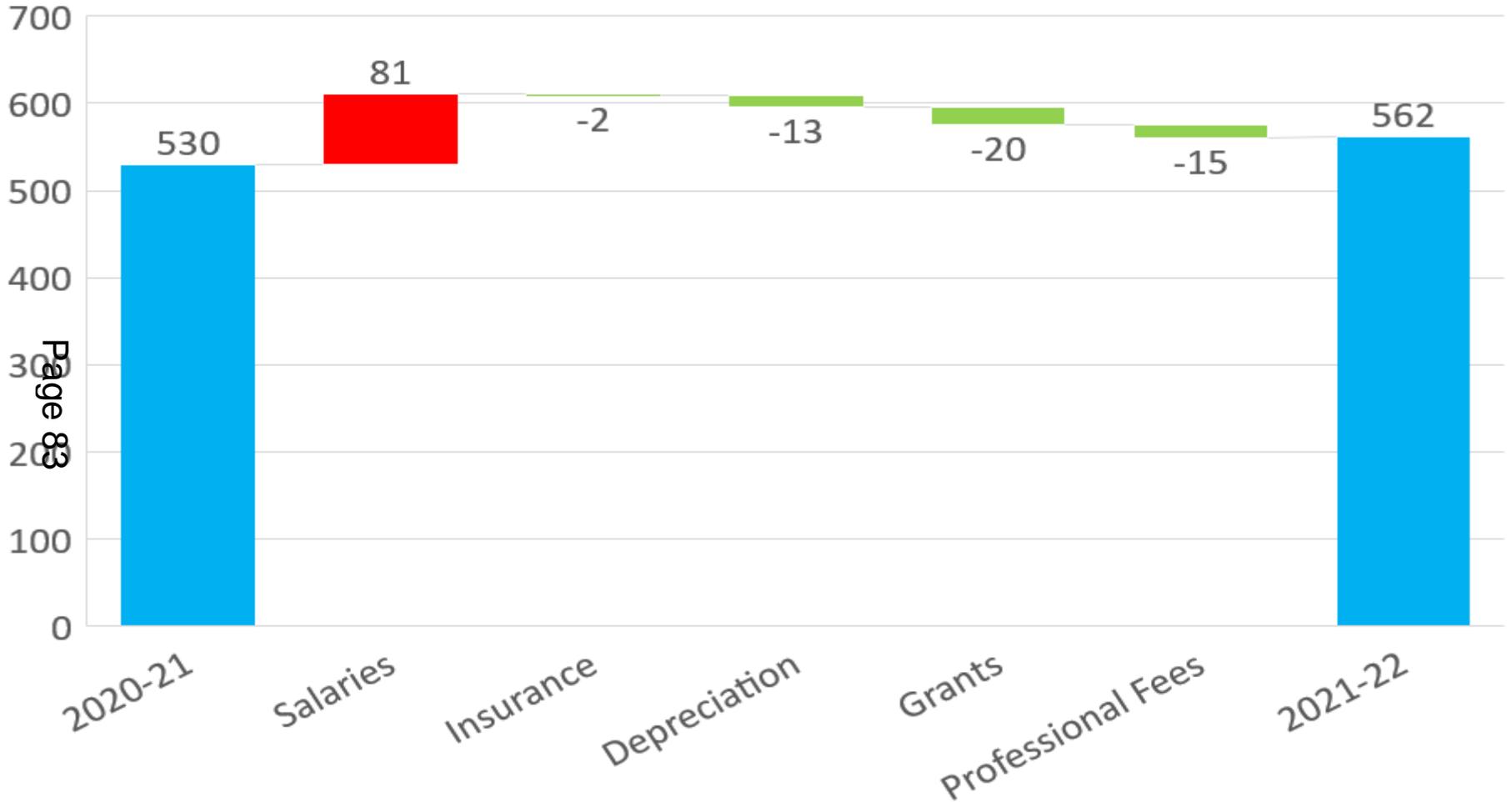
Services: Estate Management, Asset Management

Regen South

2020-21 Net Budget: £0.530M

2021-22 Net Budget: £0.562M

Growth: £0.032M



Services: Regeneration team (Regeneration Strategy), Economic Development team and Sustainability

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