

HAVANT BOROUGH COUNCIL
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GOVERNANCE & AUDIT COMMITTEE AGENDA

Membership: Councillor Smith K (Chairman)

Councillors Mackey, Hart, Perry, Mrs Smallcorn, Tarrant and Wilson

Meeting: Governance & Audit Committee

Date: Tuesday 17 June 2014

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:

Jo Barden-Hernandez
Service Manager – Legal & Democratic Services

9 June 2014

Contact Officer: *Tristan Fieldsend* 023 9244 9233
Email: tristan.fieldsend@havant.gov.uk

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To consider any matters arising from the minutes of the previous meeting.

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GENERAL INFORMATION

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Internet

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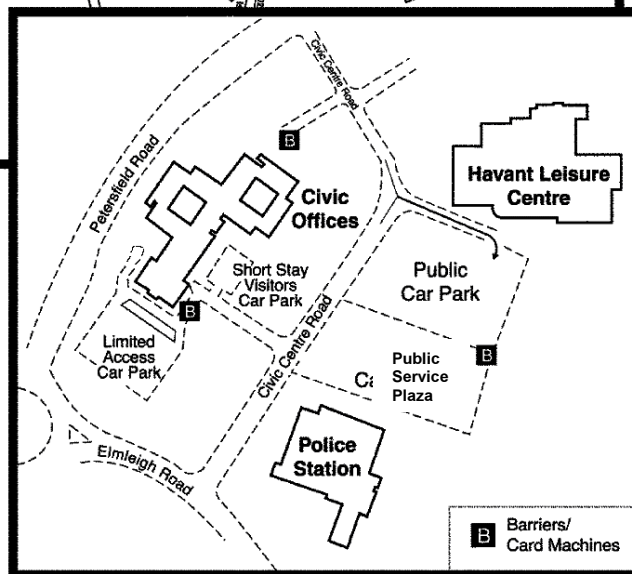
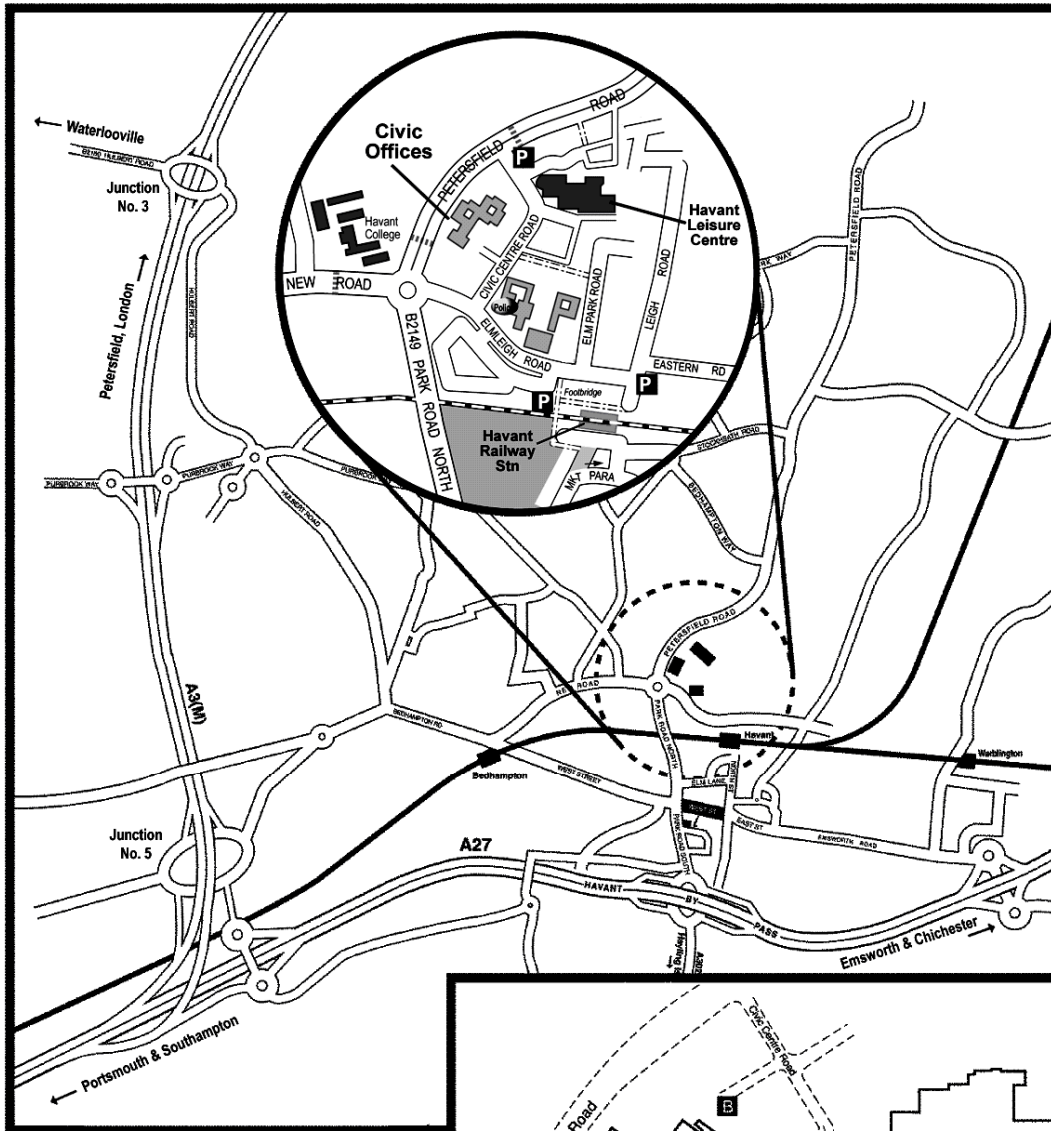
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HAVANT BOROUGH COUNCIL

At a meeting of the Governance & Audit Committee held on 5 March 2014

Present

Councillor Smith K (Chairman)

Councillors Kennedy, Tarrant and Shimbart

9 Apologies

Apologies for absence were received from Councillors Buckley, Hart, Mrs Smallcorn and Wilson.

10 Minutes

RESOLVED that the minutes of the meeting of the Governance and Audit Committee held on 20 November 2013 be approved as a correct record.

11 Matters Arising

There were no matters arising from the minutes of the last meeting.

12 Declarations of Interest

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

13 Chairman's Report

The Chairman thanked Antony Harvey of the Southern Audit Partnership for providing an interesting and informative presentation on internal audit prior to the meeting.

14 External Audit Papers

The Board considered two papers presented by Ernst and Young LLP. Helen Thompson and Ian Young of Ernst and Young LLP were invited to join the meeting for the debate on this item and answered members' questions in connection with the report.

The Audit Progress Report provided the committee with an overview of the stage reached in the 2012/13 audit and an outline of their plans for the 2013/14 audit. It was confirmed that all work for the financial year 2012/13 had been completed and initial planning work had been undertaken for 2013/14, further details of which would be provided at the next meeting.

The Certification of Claims and Returns Annual Report 2012/13 related to the audit of the Council's 2012/13 grant claims. It was confirmed that two grant claims had been certified and that the 2012/13 certification fees had reduced based on previous years.

RESOLVED that the report be noted.

15 Internal Audit Progress Report 2013/14

Antony Harvey of the Southern Internal Audit Partnership presented the committee with the Internal Audit Progress Report which provided an overview of internal audit activity against assurance work completed in accordance with the approved audit plan.

A summary of the status of previous issues identified and the number of agreed issues cleared was provided. The committee was pleased to note that in excess of 80% of performance targets had been completed against the agreed plan and no significant issues had been identified to date.

RESOLVED that the Internal Audit Progress Report be noted.

16 Internal Audit Charter 2014/15

Antony Harvey of the Southern Internal Audit Partnership presented the committee with the Internal Audit Charter for 2014/15. The committee noted that the Internal Audit Charter formally defined the internal audit activity's purpose, authority and responsibility in line with the Standards and that it had not been altered since it was previously reviewed by the Joint Governance and Audit Committee held on 16 September 2013.

RESOLVED the Internal Audit Charter for 2014/15 be approved.

17 Internal Audit Plan

Antony Harvey of the Southern Internal Audit Partnership presented the committee with Havant Borough Council's Internal Audit Plan 2014/15. The Plan ensured the most appropriate use of internal audit resources in order to provide a clear statement of assurance on risk management, internal control and governance arrangements. Historically the Plan had projected audit activity over a three period, however due to the rapidly changing local government environment the Plan focused on 2014/15.

In response to a question it was suggested that the Service Manager (Legal and Democratic) would be the Audit Sponsor for Code of Conduct.

RESOLVED that the Internal Audit Plan 2014/14 be approved.

18 Effectiveness of Internal Audit

Antony Harvey of the Southern Internal Audit Partnership presented the committee with a report on the Effectiveness of the System of Internal Audit which provided an overview of the measures currently in place to monitor and maintain internal audit effectiveness. Using self-assessment the Council was compliant with 321 of the 341 Standards. The majority of the remaining areas were classified as not applicable to the Council while any areas of partial or no

Governance & Audit Committee (5.3.14)

compliance had resulted in an action plan being implemented to stimulate improvement.

RESOLVED that

- 1) The review conducted in assessing the 'Effectiveness of the System of Internal Audit' be approved; and
- 2) The action plan generated from the assessment against the Public Sector Internal Audit Standards be endorsed.

19 Code of Conduct Complaints

There was no business to discuss under this item.

The meeting commenced at 5.00 pm and concluded at 5.34 pm

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HAVANT BOROUGH COUNCIL

Governance and Audit Committee

EXTERNAL AUDIT PAPERS - HAVANT BOROUGH COUNCIL Ernst & Young LLP

FOR INFORMATION

Portfolio: FINANCE — Councillor Jackie Branson

Key Decision: No

1.0 Purpose of Report

1.1 To outline the papers to be presented by Ernst & Young LLP.

2.0 Recommendation

2.1 We ask the Committee to note the content of the reports attached to this paper.

3.0 Summary

31 To fulfill our responsibilities as your external auditor we are required to present formally the papers attached to this report to those charged with governance.

4.0 Reports

4.1 Audit Progress Report

The purpose of this report is to provide the Governance and Audit Committee with an overview of the stage we have reached in your 2013/14 audit.

4.2 Audit Plan 2013/14

The purpose of this report is to provide the Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2013/14 audit. The Audit Plan has been agreed with the Executive Head of Governance and Logistics, and considered by the Management Team.

4.3 Audit Fee Letter 2014/15

This letter confirms the audit work and associated fee that we propose for the 2014/15 financial year. The fee has been set by the Audit

Commission as part of the five year procurement exercise. This letter has been agreed with the Executive Head of Governance and Logistics.

5.0 Implications

5.1 Resources: No direct implications

5.2 Legal: No direct implications

5.3 Strategy: No direct implications

5.4 Risks: No direct implications

5.5 Communications: No direct implications

5.6 For the Community: No direct implications

6.0 Consultation: Executive Head of Governance & Logistics and Accountant (Financial & Governance)

6.1 Appendices:

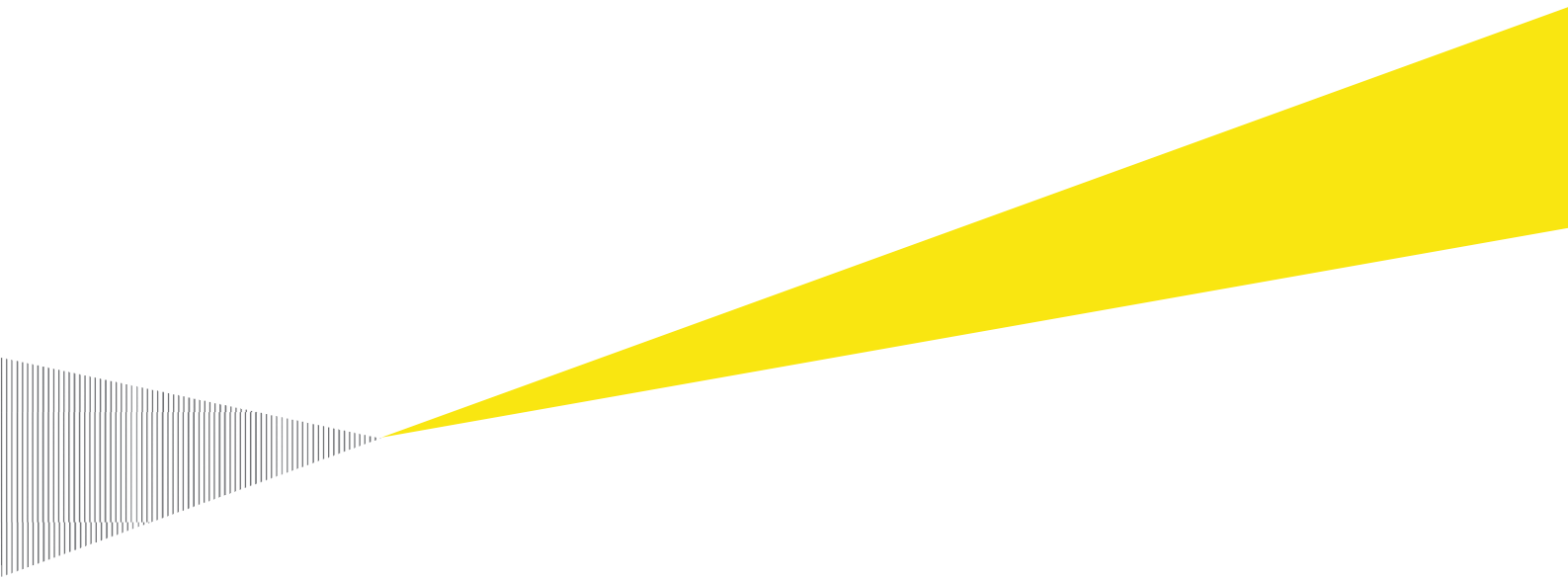
1. Audit Progress Report
2. Audit Plan 2013/14
3. Audit Fee Letter 2014/15

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Havant Borough Council

Governance and Audit Committee Progress Report

17 June 2014



Governance and Audit Committee
Havant Borough Council
Penns Place
Petersfield
Hampshire
GU31 4EX

6 June 2014

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This report summarises the work we have undertaken to date and our plans for the remainder of the 2013/14 year. Its purpose is to provide the Governance and Audit Committee with an overview of the stage we have reached in the 2013/14 audit and ensure our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
Director
For and behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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

Work completed

Fee letter

We issued our 2013/14 fee letter to the Joint Governance Committee on 12 March 2013.

Financial Statements audit

Where possible we seek to rely on the controls within the Council's financial systems.

To achieve this we identify the material income and expenditure systems; document and walk through these systems and controls to ensure we understand the systems that generate the material balances and disclosures in the Council's financial statements.

We work closely with internal audit and where possible have placed maximum reliance on their work

We have completed this stage of our audit and our findings are included within our audit plan, which is included as a separate item on today's agenda.

Post Statements audit

We have discussed with management the timing of our post statements audit and agreed a timetable for the receipt of the draft statements and working papers.

Value for money assessment

We have completed our initial risk assessment for our value for money work against the Audit Commission's specified criteria and areas of focus. Our audit plan details the results of this work.

Grant claim certification

We have not yet started any work on the certification of your claims. We plan to start the audit of your housing benefit claim in October.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2013/14 Governance and Audit Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Governance & Audit Committee	Status
High level planning	Ongoing	Audit Fee Letter	March 2013	Completed - Reported to the March 2013 Committee
Risk assessment and setting of scope of audit	Feb – April 2014	Audit Plan	June 2014	Completed - Reported to the June 2014 Committee
Testing of routine processes and controls	Feb – April 2014	Audit Plan	June 2014	Completed - Reported to the June 2014 Committee
Year-end audit	June - August 2014	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2014	-
Annual Reporting	October 2014	Annual Audit Letter	November 2014	-
Grant Claims	September – November 2014	Annual certification report	March 2015	

EY | Assurance | Tax | Transactions | Advisory

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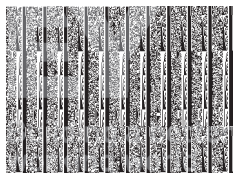
Audit Plan

Year end 31 March 2014

Havant Borough Council

June 2014

Ernst & Young LLP



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

6 June 2014

Dear Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Governance and Audit Committee with a basis to review our proposed audit approach and scope for the 2013/2014 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 17 June 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
Director
For and behalf of Ernst & Young LLP
Enc

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1. Overview

Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ our audit opinion on whether the financial statements of Havant Borough Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and
- ▶ a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

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

Compared to the preceding year, our audit will focus on changes in the financial statements brought about by changes in legislation and the CIPFA Code on Local Authority Accounting. For example, changes resulting from the localisation of business rates.

In parts 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements and value for money conclusion audits, and outline our plans to address these risks.

We will provide an update to the Governance and Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2014.

Our process and strategy

- ▶ Financial Statement Audit
 - ▶ We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We also consider qualitative issues, such as the impact on the public's and other stakeholder understanding of your accounts and the information contained. Our audit is designed to identify errors above materiality.

- ▶ We aim to rely on the Council's internal controls in the key financial systems. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
- ▶ We seek to place reliance on the work of internal audit wherever possible. We have already liaised with internal audit over their coverage of the controls on which we would wish to undertake a programme of audit work.
- ▶ Arrangements for securing Economy, Efficiency and Effectiveness
 - ▶ Our work has two underpinning elements:
 - We are required to give a statutory conclusion on the arrangements to secure value for money based on two criteria specified by the Commission, and we design a programme of work to address identified risks.
 - The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources; ensure proper stewardship and governance; and review regularly the adequacy and effectiveness of these arrangements. We annually update our understanding and assessment of these corporate performance management and financial management arrangements.
 - ▶ We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.
 - ▶ In assessing risks relating to audited bodies' arrangements to secure economy, efficiency and effectiveness, we consider:
 - the audited body's own assessment of the risks it faces, and its arrangements to manage and address its risks;
 - evidence gained from previous audit work, including the response of the audited body to that work; and
 - the work of the Commission, other inspectorates and review agencies (where these come to the attention of the auditor and are relevant to the auditor's responsibilities under the Code the Audit Commission Code of Audit Practice).
 - ▶ We will keep our risk assessment under review taking into account: our discussions with the Council; our review of reports and minutes; the results of internal audit work; our opinion and certification work; review of the Annual Governance Statement; and the work of other regulators.

2. Financial Statement Risks

We outline below our assessment of the financial statement risks facing Havant Borough Council, identified through our knowledge of the entity's operations and discussion with members and officers.

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

Significant risks (including fraud risks)	Our audit approach
Localisation of Business Rates	
<p>There have been significant changes in the arrangements for business rates from April 2013. The detailed accounting arrangements are not yet clear and this therefore presents a risk in terms of the financial statements.</p> <p>One of the main changes is that individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2013 but also claims that relate to earlier periods. As appeals are made to the Valuation Office, councils may not be aware of the level of claims. Council's may also find it difficult to obtain sufficient information to establish a reliable estimate.</p>	<ul style="list-style-type: none"> ▶ We will review the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice. ▶ We will review the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS37. As part of this, we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.
Risk of management override	
<p>As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; and ▶ evaluating the business rationale for significant unusual transactions.

Respective responsibilities in relation to fraud and error

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

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

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

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.

- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.

3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. whether there are proper arrangements in place for securing financial resilience at Havant Borough Council; and
2. whether there are proper arrangements in place at Havant Borough Council to secure economy, efficiency and effectiveness in the use of resources.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Other risks	Our audit approach	
Financial Pressures		
<p>The Council is facing ongoing financial pressures, with reliance on the new homes bonus to deliver 2014/15 and a budget gap from 2015/16.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ reviewing your 2014/15 annual budget, and medium term forecast assumptions; and ▶ discussing the budget gaps from 2015/2016 and the Council's plans to address them.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the NAO, to the extent and in the form required by them, on your Whole of Government Accounts return.

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Processes

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

- ▶ payroll
- ▶ accounts receivable
- ▶ council tax income
- ▶ housing benefit and council tax support
- ▶ cash and bank
- ▶ accounts payable

- ▶ business rates

We have also identified the following key processes that we will test substantively:

- ▶ property, plant and equipment
- ▶ pension liabilities
- ▶ financial statements close process
- ▶ treasury management

Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

Where relevant, we will attempt to use the work of internal audit if they have covered the key controls we wish to test in the key processes outlined above.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll, cash payments and receipts and journal entries. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report any significant findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance and Audit Committee.

Use of experts

We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions and valuations.

Mandatory procedures required by auditing standards

In addition to the financial statement risks outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

- ▶ Addressing the risk of fraud and error. Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Significant disclosures included in the financial statements.

- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We have determined that overall materiality for the financial statements of the Council is £1,413,680, based on 2% of our initial estimate of your gross revenue expenditure.

We will communicate uncorrected audit misstatements greater than £70,684 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Havant Borough Council is £61,500.

4.5 Your audit team

The engagement team is led by Helen Thompson, who has significant experience of the Council. Helen is supported by Ian Young who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Executive Head of Governance and Logistics. Sara Rowntree will lead the delivery of the audit opinion work and will be the key contact for the finance team and Internal Audit.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government accounts; and the deliverables we have agreed to provide to you through the Governance and Audit Committee cycle in 2014. These

dates are determined to ensure our alignment with the Audit Commission’s rolling calendar of deadlines.

We will provide a formal report to the Governance and Audit Committee in September 2014 incorporating the outputs from our year-end procedures respectively. From time to time matters may arise that require immediate communication with the Committee and we will discuss them with the Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council members and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Governance and Audit Committee timetable	Deliverables
High level planning	Ongoing	June 2013	Audit Fee letter
Risk assessment and setting of scope of audit	Feb – April 2014	June 2014	Audit Plan
Testing of routine processes and controls	Feb – April 2014	June 2014	Audit Plan
Year-end audit	June - August 2014	September 2014	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Report on the Whole of Government Accounts return. Audit completion certificate
Annual Reporting	October 2014	November 2014	Annual Audit Letter
Grant Claims	September – December 2014	March 2015	Report on the audit of grant claims

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

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

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

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

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

Management threats

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

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

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

Overall Assessment

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

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 28 June 2013 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2013>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013/14 £'000	Actual Fee 2012/13 £'000	Explanation of variance
Total Audit Fee – Code work	61,500	61,500	
Certification of claims and returns	12,320	22,826	Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. The 2013/14 scale fee has recently been updated by the Commission to take account of reductions to the claims or returns expected to require certification in 2013/14.
Non-audit work (provide details)	0	0	

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

- ▶ the level of risk in relation to the audit of accounts is consistent with that in the prior year (where we have prior year experience);
- ▶ no significant changes are made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ an effective control environment;
- ▶ officers meet the agreed timetable of deliverables;
- ▶ appropriate quality of documentation is provided by the audited body;
- ▶ we are able to place reliance, as planned, on the work of internal audit;
- ▶ our accounts opinion and use of resources conclusion are unqualified.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance.

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

Required communication	Reference
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Report to those charged with governance
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Governance and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Report to those charged with governance
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off 	Report to those charged with governance

Required communication	Reference
<ul style="list-style-type: none"> ▶ Enquiry of the Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and of which the Governance and Audit Committee may be aware 	
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan</p> <p>Report to those charged with governance</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Report to those charged with governance</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Certification Report</p> <p>Annual Audit Letter if considered necessary</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Report to those charged with governance, and Annual Audit Letter if considered necessary</p>

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Sandy Hopkins
Chief Executive
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

9 April 2014

Ref: HT/HBC/FY15FeeLetter

Direct line: 023 8038 2099

Email: HThompson2@uk.ey.com

Dear Sandy

Annual Audit and Certification Fees 2014/15

We are writing to confirm the audit and certification work that we propose to undertake for the 2014/15 financial year at Havant Borough Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2014/15.

Indicative Audit Fee

The audit fee covers the:

- ▶ audit of the financial statements;
- ▶ value for money conclusion; and
- ▶ whole of Government accounts.

The Audit Commission has set the scale fee for each audited body following the five year procurement exercise carried out in 2012. Consequently the fee is not liable to increase in that period without a change in scope.

The 2014/15 scale fee is based on certain assumptions, including:

- ▶ the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ we are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ the financial statements will be available to us in line with the agreed timetable;
- ▶ working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.

As we have not yet completed our audit for 2013/14, our audit planning process for 2014/15 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract with the Audit Commission.

Certification fee

The Audit Commission has set a composite indicative fee for certification work for each audited body. The indicative fee is based on the 2012/13 actual certification fees, adjusted to reflect any known schemes that no longer require auditor certification. The Audit Commission has revised the previously published 2013/14 indicative certification fee to reflect further schemes that no longer require auditor certification.

The composite indicative fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

The indicative certification fee for 2014/15 relates to work on grant claims and returns for the year ended 31 March 2015. We have set the certification fee at the composite indicative fee level. We will update our risk assessment after we complete our 2013/14 certification work.

Summary of Fees

	Indicative fee 2014/15 £	Planned fee 2013/14 £	Actual fee 2012/13 £
Total Code audit fee	61,500	61,500	61,500
Certification of claims and returns	17,840	12,320	22,826
Non audit work	N/a	N/a	N/a

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Billing

The total indicative fee will be billed in four quarterly instalments of £19,835.

Audit Plan

Our plan for the audit of the financial statements is expected to be issued in June 2015. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of

the audit, we will discuss this in the first instance with the Executive Head of Governance and Logistics and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Governance and Audit Committee.

Audit team

The key members of the audit team for the 2014/15 financial year are:

Helen Thompson
Director

HThompson2@uk.ey.com

Tel: 023 8038 2099

Mobile: 07974 007332

Ian Young
Manager

IYoung@uk.ey.com

Tel: 023 8038 2013

Mobile: 07867 152505

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Helen Thompson
Director
Ernst & Young LLP
United Kingdom

cc. Jane Eaton, Executive Head of Governance and Logistics
Councillor Ken Smith, Chairman of the Governance and Audit Committee

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HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

INTERNAL AUDIT PROGRESS REPORT (16 May 2014)

Head of Southern Internal Audit Partnership

FOR DECISION

Portfolio: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

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 (16 May 2014) as attached.

3.0 Summary

- 3.1 Under the Accounts and Audit (England) Regulations 2011, 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 the period to 16 May 2014.

4.0 Implications

4.1 Resources:

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

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2011.

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 and 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 03 June 2014.

Appendices:

Appendix 1 – Internal Audit Progress Report (16 May 2014)

Agreed and signed off by:

Legal Services: 03 June 2014

Finance: 03 June 2014

Executive Head of Governance & Logistics: 03 June 2014.

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

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SUBJECT:	Internal Audit: Progress Report
MEETING:	Governance and Audit Committee
DATE OF MEETING:	17 June 2014
REPORT OF:	Head of Internal Audit Partnership
REPORT DATE:	16 May 2014

1 Opinion definitions – From 2013/14 onwards

Opinion	Framework of governance, risk management and management control
Substantial assurance	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate assurance	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 assurance	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 assurance	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks.

2 Status of 'live' reports:								
Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Finance	Dec 2011	G&L	Substantial*	Substantial*	6 (0)	5 (0)	1 (0)	
IT Security Policy	Jan 2012	M&D	Limited*	Substantial *	10 (3)	10 (3)		
Parking services	Apr 2012	E&NQ	Limited*	Substantial *	3 (0)	2 (0)		1 (0)
Development control	Aug 2012	P&BE	Limited*	Substantial*	11 (0)	10 (0)		1 (0)
Food safety and noise control	Sep 2012	E&NQ	Substantial*	Substantial*	14 (1)	13 (1)	1 (0)	
Fraud prevention	Sep 2012	G&L	Substantial*	Substantial*	5 (0)	5 (0)		
Operational services procurement	Apr 2013	E&NQ	Limited*	Substantial*	13 (0)	12 (0)		1 (0)
Developer contributions	May 2013	P&BE	Limited*	Substantial*	9 (0)	8 (0)	1 (0)	
Information management	23/08/13	M&D	Limited	Limited	1 (0)			1 (0)
Vehicle maintenance	10/10/13	E&NQ	Adequate	Adequate	5 (1)	3 (1)		2 (0)
Lease income	16/12/13	G&L	Adequate	Adequate	7 (0)	5 (0)	2 (0)	
Accounts payable	06/01/14	G&L	Adequate	Adequate	1 (0)		1 (0)	
Proactive fraud initiatives	23/01/14	G&L	Adequate	Adequate	1 (0)			1 (0)

Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
NNDR	31/01/14	G&L	Substantial	Substantial	1 (0)			1 (0)
Payroll	31/01/14	G&L	Adequate	Adequate	3 (0)	2 (0)	1 (0)	
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	20/02/14	G&L	Substantial	Substantial	1 (0)		1 (0)	
Procurement	24/02/14	G&L	Adequate	Adequate	2 (0)	2 (0)		
Contract Management - Client Monitoring	28/03/14	Various	Adequate	Adequate	2 (0)	2 (0)		
Partnership management	22/04/14	E&NQ	Limited	Limited	6 (1)	2 (1)	4 (0)	
Health and Safety at work	02/05/14	G&L	Adequate	Adequate	5 (0)		5 (0)	
Finance – Main accounting	02/05/14	G&L	Adequate	Adequate	2 (0)	1 (0)	1 (0)	
Asset Acquisition Strategy	13/05/14	G&L	Adequate	Adequate	2 (0)		2 (0)	

*The audit assessments/opinions are in accordance with the definitions in place prior to 2013/14. See Appendix A for the previous definitions.

Key to Audit Sponsors	
Executive Head Marketing and Development	M&D
Executive Head Governance and Logistics	G&L
Executive Head Environment and Neighbourhood Quality	E&NQ
Executive Head Planning and Built Environment	P&BE

3 Internal Audit Performance

The internal audit service is measured against the following key performance targets:

Performance Targets – May 2014		
	Target for Year (%)	Actual to Date (%)
% of revised plan delivered (including 2012/13 c/f)	95	97
Compliant with the Public Sector Internal Audit Standards	Yes	Yes
% of positive customer responses to Quality Appraisal Questionnaire	90	94

4 Planning and Resourcing

The internal audit plan for 2013/14 was prepared following meetings with the Executive Heads and Service Managers and was presented to the Executive Board on 30 July. The audit plan remained fluid to ensure audit resource was effectively aligned to the Council's needs. Progress against the plan is detailed within section 7.

5 Issues arising

There were no significant issues arising from internal audit work carried out in accordance with the 2013/14 audit plan.

The two 'limited assurance' reviews related to Partnership Management (Parking Services); and Information Management.

Partnership Management (Parking Services) – audit observations highlighted a lack of consistency both in coding partnership expenditure and in completing appropriate recharges, each impacting on the ability to effectively monitor budgets. This was underpinned by the absence of any agreement (outside of the original business case) between Havant Borough Council and East Hampshire District Council formalising service and recharge levels.

Information Management – a focused piece of work to assist in the introduction of the Customer Relationship Management System. Review highlighted the absence of a corporate standard for how data is captured and stored within applications across the organisation increasing the risk of inconsistency, poor customer services, inaccuracy and the ability to attain quality management information (including data for FOI requests).

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

6 Fraud and Irregularities

We have assessed and where appropriate, advised, investigated or supported 2 investigation of fraud, corruption or improper practice:

- One did not identify any fraud or impropriety, however did highlight a number of control weaknesses that have since been raised with management; and
- One review remains on-going

We have subsequently provided advice to management on a number other cases as required.

7 Rolling work programme 2013/14 audit plan

Audit title	Audit Sponsor	Audit progress					
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Corporate Cross cutting							
Business Continuity Planning	M&D	✓	✓	✓	✓		
Contract Management - Client Monitoring	Various	✓	✓	✓	✓	✓	28/03/14
Information Management	M&D	✓	✓	✓	✓	✓	23/08/13
NFI	G&L	N/A	N/A	✓	✓	N/A	N/A
Partnership Management	Various	✓	✓	✓	✓	✓	22/04/14
Procurement	G&L	✓	✓	✓	✓	✓	24/02/14
Performance Management Systems	M&D	✓	✓	✓	✓	✓	
Risk management	G&L	✓	✓	✓	✓	✓	
Corporate Governance							
Proactive fraud initiatives	G&L	✓	✓	✓	✓	✓	27/01/14

Audit title	Audit Sponsor	Audit progress						
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued	
Constitution	G&L	✓	✓	✓	✓	✓	06/09/13	
Health and safety at work	G&L	✓	✓	✓	✓	✓	02/05/14	
Special Investigations	G&L	N/A	N/A	N/A	N/A	N/A	N/A	
Annual review of effectiveness of Internal Audit	G&L	✓	✓	✓	✓	✓	05/03/14	
Financial Management								
Lease Income	G&L	✓	✓	✓	✓	✓	16/12/13	
Benefits	G&L	✓	✓	✓	✓	✓		
Capital Purchases	G&L	✓	✓	✓	✓	✓		
Accounts Payable	G&L	✓	✓	✓	✓	✓	06/01/14	
Finance - Budgetary Control	G&L	✓	✓	✓	✓	✓		
Finance – Main Accounting	G&L	✓	✓	✓	✓	✓	02/05/14	
NNDR	G&L	✓	✓	✓	✓	✓	31/01/14	
Payroll	G&L	✓	✓	✓	✓	✓	31/01/14	

Audit title	Audit Sponsor	Audit progress						Final report issued
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	G&L	✓	✓	✓	✓	✓	20/02/14	
Information Technology								
Computer implementations (Finance)	G&L	Advice role						
Mod Gov	M&D	✓	✓	✓	✓	✓		
Corporate objective - economic growth - No audits in 2013/14 plan								
Corporate objective - public service excellence								
Vehicle Maintenance	E&NQ	✓	✓	✓	✓	✓	10/10/13	
Coastal Defence Partnership – stage 1	P&BE	✓	✓	✓	✓	✓	27/06/13	
Coastal Defence Partnership – stage 2	P&BE	✓	✓	✓	✓	✓	27/02/14	
Disabled Facilities Grants	E&NQ	✓	✓	✓	✓	✓	23/08/13	
Corporate objective - financial sustainability								
Asset Acquisition Strategy	G&L	✓	✓	✓	✓	✓	13/05/14	

Key to Audit Sponsors	
Executive Head Marketing and Development	M&D
Executive Head Governance and Logistics	G&L
Executive Head Environment and Neighbourhood Quality	E&NQ
Executive Head Planning and Built Environment	P&BE

Appendix A

Opinion	Framework of governance, risk management and management control
Full	<p>Evaluation opinion - There is a sound system of control designed to achieve the system objectives, and</p> <p>Testing opinion – The controls are being consistently applied.</p>
Substantial	<p>Evaluation opinion – While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or</p> <p>Testing opinion – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p>
Limited	<p>Evaluation opinion – Weaknesses in the system of controls are such as to put the system objectives at risk, and/or</p> <p>Testing opinion – The level of non-compliance puts the system objectives at risk.</p>
No Assurance	<p>Evaluation opinion – Control is generally weak leaving the system open to significant error or abuse, and/or</p> <p>Testing opinion – Significant non-compliance with basic controls leaves the system open to error or abuse.</p>

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

ANNUAL INTERNAL AUDIT REPORT AND OPINION 2013-14

Head of Southern Internal Audit Partnership

FOR DECISION

Cabinet Lead: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance and Audit Committee with the Chief Internal Auditors opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the year ending 31 March 2014.

2.0 Recommendation

2.1 That the Governance and Audit Committee approve the Chief Internal Auditor's annual report and opinion for 2013-14.

3.0 Summary

3.1 In accordance with proper internal audit practices, the Chief Internal Auditor is required to provide a written report reviewing the effectiveness of the system of internal control to inform the production of the Annual Governance Statement.

3.2 The Annual Report for 2013-14 (attached at Appendix 1) provides the Chief Internal Auditor's opinion on the system of internal control and summarises audit work from which that opinion is derived for the year ending 31 March 2014.

3.3 The Governance and Audit Committee's attention is drawn to the following points:

- Internal audit was compliant with the Public Sector Internal Audit Standards during 2013/14;
- The revised internal audit plan for 2013/14 has been substantially delivered;

- The Council's framework of governance, risk management and management control is considered to be 'Adequate' and audit testing has demonstrated controls to be working in practice; and
- Where internal audit work identified areas where management controls could be improved or where systems and laid down procedures were not fully followed, appropriate corrective actions and a timescale for improvement were agreed with the responsible managers.

4.0 Implications

4.1 Resources:

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

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2011.

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 and 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 03 June 2014.

Appendices:

Appendix 1 – Annual Internal Audit Report and Opinion 2013/14

Agreed and signed off by:
Legal Services: 03 June 2014
Finance: 03 June 2014
Executive Head of Governance & Logistics: 03 June 2014.

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

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NON EXEMPT

Annual Internal Audit Report & Opinion

2013 – 14

Havant Borough Council



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**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 2011, 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 2013 [the Standards].

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

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

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

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

2. Internal Audit Approach

To enable effective outcomes, internal audit provide a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

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

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

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

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



operation and to stimulate improvement.

3. Internal Audit Opinion

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

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

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

Audit Opinion

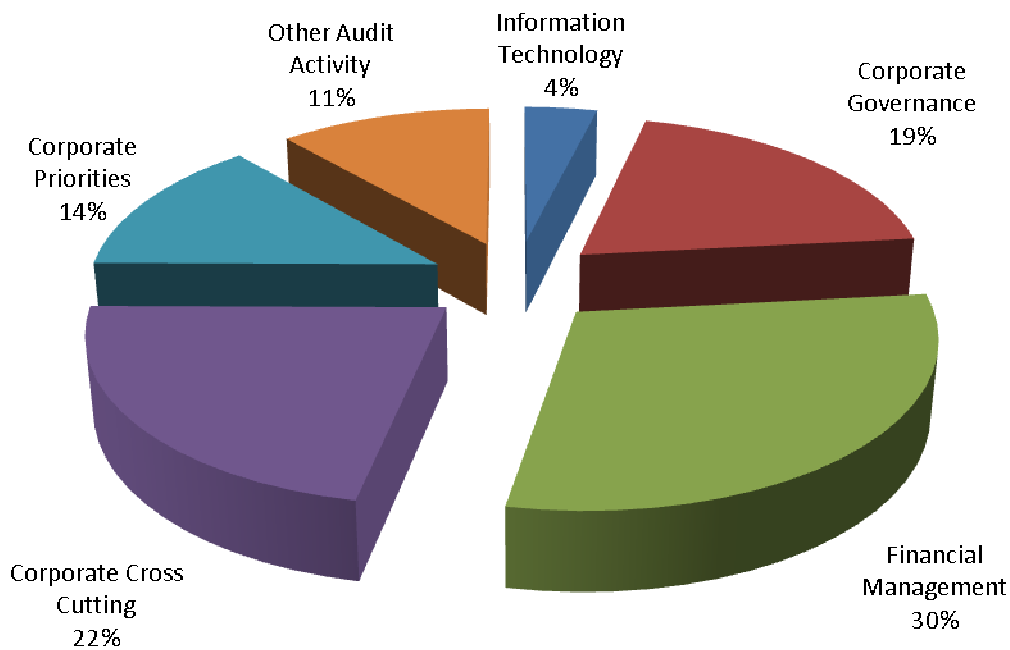
I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Havant Borough Council's internal control environment.

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

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

4. Internal Audit Coverage and Output

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



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

The 2013-14 Internal audit plan, approved by the Joint Governance Committee, 16 September 2013, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

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

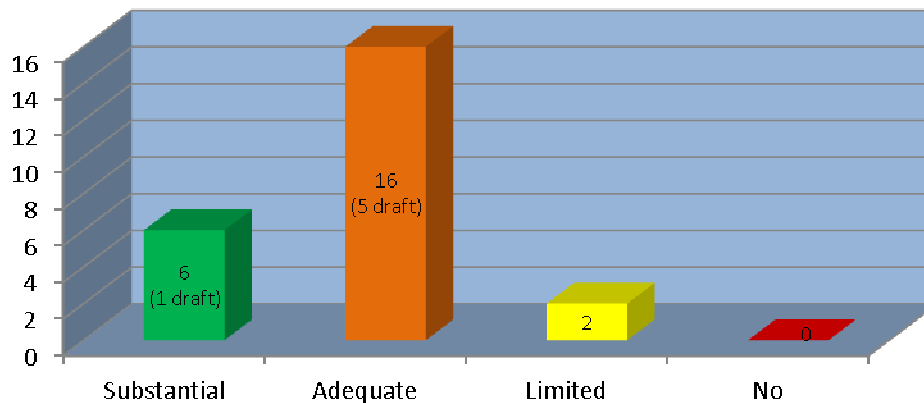
In delivering the internal audit opinion the Southern Internal Audit Partnership undertook 29 reviews throughout the year ending 31 March 2014.

The revised 2013-14 internal audit plan has been delivered with the following exceptions:

- At the time of this report, 1 review remains work in progress: and
- Work is substantially complete and an opinion has been formed for 6 reviews, however, final reports have not yet been agreed with management:

I do not consider these exceptions to have an adverse impact on the delivery of my overall opinion for the period. The opinion assigned to each internal audit review on issue (including draft reports) is defined as follows:

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Substantial - A sound framework in place that is operating effectively;

Adequate - Basically a sound framework in place with possible opportunities to improve controls or some immaterial evidence of inconsistent application;

Limited - Critical weakness (es) identified within the framework and / or significant evidence of inconsistent application; or

No - Fundamental weaknesses have been identified or the framework is ineffective or absent.

*4 reviews did not culminate in an audit opinion as they relate to work conducted in respect of consultancy, assurance mapping, or investigations

5. Significant Issues Arising

There were no significant issues arising from internal audit work carried out in accordance with the 2013/14 audit plan.

The two 'limited assurance' reviews related to Partnership Management (Parking Services); and Information Management.

Partnership Management (Parking Services) – audit observations highlighted a lack of consistency both in coding partnership expenditure and in completing appropriate recharges, each impacting on the ability to effectively monitor budgets. This was underpinned by the absence of any agreement (outside of the original business case) between Havant Borough Council and East Hampshire District Council formalising service and recharge levels.

Information Management – a focused piece of work to assist in the introduction of the Customer Relationship Management System. Review highlighted the absence of a corporate standard for how data is captured and stored within applications across the organisation increasing the risk of inconsistency, poor customer services, inaccuracy and the ability to attain quality management information (including data for FOI requests).

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

6. Anti Fraud and Corruption

The Council continue to conform to the National Fraud Initiative (NFI). Feedback through the 2012/13 NFI exercise (during 2013-14) identified 227 'recommended matches'.

Within the year work has been on-going to investigate identified matches for fraudulent activity.

	Recommended Matches	Processed	% Complete
Housing Benefits	182	182	100
Creditors	40	40	100
VAT	5	5	100
	227	227	

Outcomes from investigations to date have identified four fraudulent cases and four errors to a value of £11,650.

In addition, we have assessed and where appropriate, advised, investigated or supported 2 investigations of fraud, corruption or improper practice:

- One did not identify any fraud or impropriety, however did highlight a number of control weaknesses that have since been raised with management; and
- One review remains on-going

We have subsequently provided advice to management as required.

7. Quality Assurance and Improvement

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

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against ‘the Standards’ and the Local Government Application Note (LGAN) for conformance. The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years.

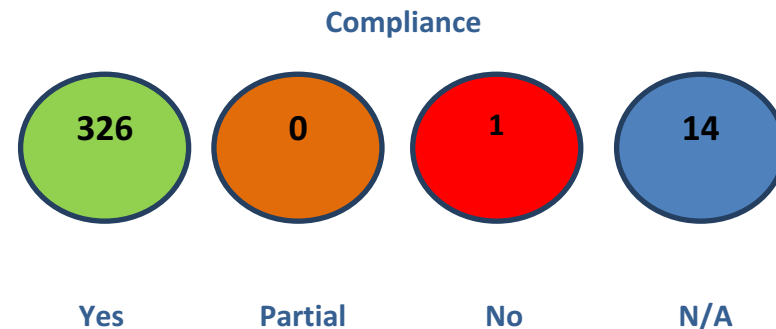
In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

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

During 2013 – 14 The Head of the Southern Internal Audit Partnership undertook a self-assessment against the Standards and the LGAN. To provide independence to the process the self –assessment was reviewed by Hampshire County Council’s Monitoring Officer to ensure it presented a true and fair view.

Independent analysis confirmed that the self-assessment provided ‘*a fair assessment of the internal audit activity*’

The form of the external assessment must be agreed with Senior Management and the Board. A paper is scheduled to be presented to the Key Stakeholder



Partnership Board in September to review the alternative options for external assessment.

8. Disclosure of Non-Conformance

'It is my opinion that in all material respects the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards'

Whilst the Standards only require non-conformance to be disclosed when it impacts the overall scope or operation of the internal audit activity, the additional requirements for the public sector state *'that all instances of non-conformance and progress against improvement plans must be reported in the annual report'*. The QAIP Action Plan is provided at Appendix 1.

9. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complimenting the QAIP, this was achieved in 2013-14 through the following internal processes:

- On-going liaison and communication with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to ensure development of a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- A review of the 'Effectiveness of the System of Internal Audit' in accordance with the Accounts and Audit (England) Regulations 2011;
- Registration under British Standard BS EN ISO 9001:2008, the international quality management standard complimented by a comprehensive set of audit and management procedures; and
- Review and quality control of all internal audit work by professionally qualified senior staff members.

10. Internal Audit Performance

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

Aspect of service	2012-13 Actual (%)	2013-14 Actual (%)
Revised plan delivered (including 2012/13 c/f)	-	97
Positive customer responses to quality appraisal questionnaire	-	94
Compliant with the Public Sector Internal Audit Standards	-	Yes

11. Acknowledgement

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

Neil Pitman

Head of Southern Internal Audit Partnership
May 2014

Appendix 1 – Quality Assessment & Improvement Action Plan

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Compliance against the Public Sector Internal Audit Standards / Local Government Application Note

Public Sector Internal Auditing Standards – No Compliance

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
3.2 - Independence and Objectivity					
Does the board: e) approve decisions relating to the appointment and removal of the CAE	No	Such actions are not constitutionally permissible to be undertaken by 'the board' (Local Authorities (Standing Orders) (England) Regulations 2001)	-	-	-

Public Sector Internal Auditing Standards - Action Plan – Not Applicable

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
3.2 - Independence and Objectivity					
Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	N/A	There have been no known instances where an internal auditor has used information for personal gain	-	-	-
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	N/A	There have been no known instances of real or apparent impairment of independence or objectivity.	-	-	-
If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	N/A	The Chief Internal Auditor has no operational responsibilities outside of the internal audit function.	-	-	-
3.4 - Quality Assurance and Improvement Programme					
Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
		an external assessment until 31 March 2018.			
Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014
Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014
Has the assessor or assessment team demonstrated its competence in both areas of professional practice of	N/A	The requirement for an external assessment (to be undertaken	The Head of the Southern Internal Audit Partnership will	Head of Southern	September 2014

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Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
<p>internal auditing and the external assessment process?</p> <p>Competence can be determined in the following ways:</p> <p>a) experience gained in organisations of similar size</p> <p>b) complexity</p> <p>c) sector (ie the public sector)</p> <p>d) industry (ie local government), and</p> <p>e) technical experience.</p> <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>		<p>every 5 years) is new.</p> <p>The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.</p>	<p>present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.</p>	<p>Internal Audit Partnership</p>	
<p>How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?</p>	N/A	<p>The requirement for an external assessment (to be undertaken every 5 years) is new.</p> <p>The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.</p>	<p>The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.</p>	<p>Head of Southern Internal Audit Partnership</p>	<p>September 2014</p>
<p>Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.</p>	N/A	<p>The requirement for an external assessment (to be undertaken every 5 years) is new.</p> <p>The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.</p>	<p>The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.</p>	<p>Head of Southern Internal Audit Partnership</p>	<p>September 2014</p>

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
4.1 - Managing the Internal Audit Activity					
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	N/A	Internal audit is not provided by an external service provider.	-	-	-
4.5 - Communicating Results					
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:					
a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-
b) The reason(s) for non-conformance?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-
c) The impact of non-conformance on the engagement and the engagement results?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-

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Opportunities for Improvement - Section briefing feedback– 3 March 2014

Improvement opportunities:	Suggested actions:	Responsible Officer	Implementation
<p>Communication</p> <p>With additional organisations joining the Partnership, the transient nature of audit staff, flexible working options and the fluidity of planning to meet the needs of the client, it is considered that current channels of communication should be enhanced to compliment changing working practices.</p>	<p>Head of Southern Internal Audit Partnership to attend ASMT monthly to capture key messages from the team</p> <p>A monthly email to be circulated to all staff with the key messages (corporate and local)</p> <p>To ensure all relevant staff are notified with any plan changes (ASMT to be copied in on email(s) due to potential impact on other workloads).</p>	<p>Head of Southern Internal Audit Partnership</p> <p>Head of Southern Internal Audit Partnership</p> <p>All of ASMT</p>	<p>Complete</p> <p>Complete</p> <p>Complete</p>
<p>Limitations within MKI prior to the recent upgrade have required a number of workarounds questioning the effectiveness and efficiency of the system. Additionally attaining relevant management information is a cumbersome and timely process.</p>	<p>MKI are currently developing a progress report that will replace the progress control sheet. This will make the monitoring of audits for all staff much easier.</p> <p>Looking to change the hosting of MKI back to the vendor rather than internal. This will resolve the live mobile issues.</p> <p>Once the progress report has been</p>	<p>LE / MKI</p> <p>LE / MKI</p> <p>LE / MKI</p>	<p>June 2014.</p> <p>May 2014</p> <p>June/July 2014</p>

Improvement opportunities:	Suggested actions:	Responsible Officer	Implementation
	<p>developed, we will ask MKI to develop automated audit reports/outlines and facility to track management actions.</p> <p>Staff to be reminded on the level of scanning needed. We don't need every single document scanned.</p> <p>Should the scanner in room 241 be out of action, an alternative device is available in room 321.</p>	All staff	immediately
<p>Travel</p> <p>Parity required on with regard travel entitlements in light of the expansion of the Partnership</p>	To introduce a travel policy for the partnership	Head of Southern Internal Audit Partnership	June 2014
<p>Manager review</p> <p>Quality standards require manager and senior manager sign off of all reports with Limited and No assurance reports cleared by the Head of Partnership. Does this remain practicable in light of the extension of the partnership.</p>	Quality standards will not be compromised. To review the current reporting protocol and timescales for practicalities.	Senior Management Team	May 2014
<p>Planning</p> <ul style="list-style-type: none"> ○ Need more scope / background reasons for inclusion in the plan ○ Need more involvement of staff in the annual planning process 	This has been rectified in the 2014/15 plans.	Audit Services Management Team / Senior Management Team	Complete

Improvement opportunities:	Suggested actions:	Responsible Officer	Implementation
<p>Allocation of audit</p> <p>Is the allocation of audit assignments effective. Are we maximising individuals knowledge and experience.</p>	<p>Matrix working is in place across the partnership to ensure that we maintain flexibility to apportion relevant experience at all times.</p> <p>Not looking to develop “experts” with the notable exceptions of IT, Fraud and Procurement / Contract Management.</p> <p>Any training needs to be raised with relevant managers</p>	<p>All staff</p>	<p>on-going</p>
<p>IT –connectivity at one satellite site remains restrictive.</p>	<p>Head of Southern Internal Audit Partnership to liaise with relevant S151 to effect a long term solution.</p>	<p>Head of Southern Internal Audit Partnership</p>	<p>June 2014</p>
<p>Auditees</p> <p>There are increasing incidences where the duration of audit assignments are prolonged due to client availability both in terms of fieldwork and report clearance. Significant delays in issuing reports can impact on relevance and reflect poorly on the audit service.</p>	<p>Head of Southern Internal Audit Partnership to raise with CMT’s as a general discussion about the impact of delays etc.</p> <p>Formalise an escalation policy.</p> <p>Need to ensure any delays are escalated to the relevant Audit Manager / SMT member promptly.</p> <p>Report template to include timeline</p>	<p>Head of Southern Internal Audit Partnership</p> <p>Senior Management Team</p> <p>All staff / ASMT</p> <p>To align with automated</p>	<p>April – June 2014</p> <p>June 2014</p> <p>Complete</p> <p>June / July 2014</p>

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Improvement opportunities:	Suggested actions:	Responsible Officer	Implementation
<p>Information extraction</p> <p>The addition of new partners coupled with the matrix management approach introduces challenges in maintaining a working knowledge of all applications and systems across the partnership.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 78</p>	<p>Look at system training needs across the section and determine who needs what training. (in- house or provided elsewhere.)</p> <p>Identify staff with specific knowledge as contacts for key systems to provide internal training</p> <p>For sites with restricted access to systems consider including a more specific list of required reports etc. in the AO</p>	<p>reports from MKI</p> <p>ASMT</p> <p>ASMT</p> <p>AMs</p>	<p>May 2014</p> <p>May 2014</p> <p>May 2014</p>
<p>Working in silos</p> <p>Look for opportunities for team building – socials, group work etc.</p>	<p>To ensure section briefings include more opportunities for group work.</p> <p>To arrange regular social events outside of work.</p>	<p>Deputy Head of Southern Internal Audit Partnership</p> <p>NJ</p>	<p>June 2014</p> <p>on-going</p>

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

EFFECTIVENESS OF INTERNAL AUDIT REPORT 2013-14

Head of Southern Internal Audit Partnership

FOR DECISION

Cabinet Lead: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

1.0 Purpose of Report

1.1 Under the Accounts and Audit (England) Regulations 2011 Havant Borough Council is required, at least once a year, 'to conduct a review of the effectiveness of its internal audit'. The purpose of this paper is to provide the Governance & Audit Committee with an overview of the measures currently in place to monitor and maintain internal audit effectiveness, taking cognisance of the Public Sector Internal Audit Standards and the Local Government Application Note.

2.0 Recommendation

2.1 That the Governance and Audit Committee:

- Note the review conducted in assessing the 'Effectiveness of Internal Audit'; and
- Endorse the action plan generated from the assessment against the Public Sector Internal Audit Standards.

3.0 Summary

3.1 The Accounts and Audit (England) Regulations 2011 - S6 states:

'(1) 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'.

'(3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.'

3.2 With affect 1 April 2013 the 'Public Sector Internal Audit Standards' and the 'Local Government Application Note' together are regarded as 'proper practices'.

3.3 A self assessment has been undertaken and has concluded a high level of compliance with 'proper practices'. Details of the assessment are provided in the attached briefing note and appendices.

4.0 Implications

4.1 Resources:

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

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2011.

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 and 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 03 June 2014.

Appendices:

Appendix 1 – Effectiveness of Internal Audit 2013-14

Agreed and signed off by:

Legal Services: 03 June 2014

Finance: 03 June 2014

Executive Head of Governance & Logistics: 03 June 2014.

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

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Effectiveness of Internal Audit 2013-14

Briefing Note

Contact: Neil Pitman

Tel: 01962 845139

Email: neil.pitman@hants.gov.uk

1.0 Executive Summary

1.1 Under the Accounts and Audit (England) Regulations 2011 Havant Borough Council is required, at least once a year, 'to conduct a review of the effectiveness of its internal audit'. The purpose of this paper is to provide the Governance & Audit Committee with an overview of the measures currently in place to monitor and maintain internal audit effectiveness, taking cognisance of the Public Sector Internal Audit Standards and the Local Government Application Note.

2.0 Contextual information

2.1 The Accounts and Audit (England) Regulations 2011 - S6 states:

'(1) 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'.

'(3) A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit.'

2.1 With affect 1 April 2013 the 'Public Sector Internal Audit Standards' and the 'Local Government Application Note' together are regarded as 'proper practices'.

2.2 There is no prescriptive guidance to conducting the effectiveness review, however, the Public Sector Internal Audit Standards require the Head of the Southern Internal Audit Partnership (Chief Internal Auditor) to develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit service and includes provision for both internal and external assessment.

2.3 To ensure effective use of resource, the requirements and subsequent outputs from internal / external assessments required within the Standards have been used to underpin the report on the 'Effectiveness of Internal Audit' as prescribed in the Accounts and Audit (England) Regulations 2011.

3.0 Quality Assurance and Improvement Programme (QAIP)

3.1 The QAIP through its interpretation in the Public Sector Internal Audit Standards is:

'a quality assurance and improvement programme designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement'

3.2 The QAIP must make provision for both internal and external assessments of the audit service.

4.0 Internal assessments

4.1 Internal assessments must include:

- On-going monitoring of the performance of the internal audit activity; and
- Periodic self assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices (sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework).

On-going Monitoring

4.1 The Head of the Southern Internal Audit Partnership has established procedures to guide internal audit staff in performing their duties to ensure they conform to the Public Sector Internal Audit Standards. This is demonstrated through the maintenance of key policies and procedures that are regularly reviewed and updated to reflect changes in working practices and standards, underpinned by an audit management software system providing consistency and common principles in the conduct of audit reviews.

4.2 In order to ensure that work is carried out to an appropriate level and quality, the Head of the Southern Internal Audit Partnership ensures that audit work is allocated to staff with the appropriate skills, experience and competence.

4.3 The Head of the Southern Internal Audit Partnership also ensures that internal audit staff at all levels are appropriately supervised and work is reviewed throughout all audits to monitor progress, assess quality and coach staff.

4.4 The Southern Internal Audit Partnership operates a quality system (ISO 9001:2008) which covers all our audit reviews including irregularity reviews. Compliance against our quality processes are regularly assessed by an external/independent accreditor from the British Standards Institution (BSI).

4.5 On-going performance monitoring also incorporates:

- A set of targets to measure performance, developed in consultation with appropriate parties. Such measures are monitored and regularly reported through quarterly progress reports to 'senior management' and 'the board'.
- Stakeholder feedback in the form of Quality Appraisal Questionnaires; and
- An action plan to implement improvements (QAIP)

5.0 Internal Self Assessment 2013-14

5.1 For 2013/14 a self-assessment against the Public Sector Internal Audit Standards has been undertaken.

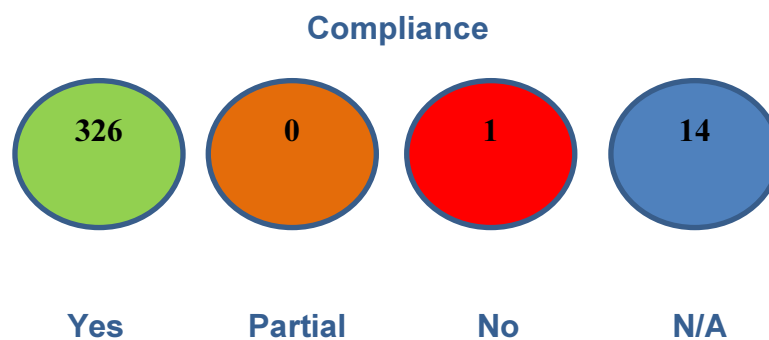
5.2 The 'Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards' provides a checklist that has been developed to enable periodic self-assessment as part of the Quality Assurance and Improvement Programme. It is this checklist that has been used as the basis of the 2013-14 self-assessment review.

5.3 In compiling the self-assessment, the Head of the Southern Internal Audit Partnership undertook an initial evaluation of the audit service against the checklist, and compiled documentary evidence to verify compliance.

5.4 To provide independent scrutiny the Deputy Monitoring Officer at Hampshire County Council then considered the Standards for compliance against the self assessment and supporting documentation, concluding:

'I am satisfied that this is an accurate assessment of the internal audit function'.

5.5 The summary of the self-assessment against the 341 Standards highlights



5.6 In areas where the Southern Internal Audit Partnership do not meet 'the Standards' an action plan has been compiled to explain non-conformance or stimulate improvement (Annex 2).

6.0 External Assessments

6.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation.

6.2 The Head of the Southern Internal Audit Partnership must agree with the sponsor (the S151 or Chair of the Board):

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

7.0 Form of External Quality Assessment (EQA)

7.1 External assessment can be in the form of a full external assessment or a self-assessment with external validation.

Full External Assessment

7.2 A full EQA incorporates surveys and interviews with the Head of the Southern Internal Audit Partnership, internal audit staff, customers and stakeholders. This is supported by examination of the internal audit approach and methodology leading to the completion of an independent report.

Validated self-assessment

7.3 An initial self-assessment is carried out by the Head of Southern Internal Audit Partnership. The external assessment team will review / validate evidence produced and conduct interviews with internal audit staff, senior management and the chair of the board.

7.4 A validation report will be appended to the Head of the Southern Internal Audit Partnership's self-assessment.

8.0 Qualification and Independence of the External Assessor

8.1 A qualified assessor or assessment team must demonstrate competence in two areas:

- the professional practice of internal auditing; and
- the external assessment process.

8.2 Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience.

8.3 An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

8.4 The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form, timing and scope of the external assessment in September 2014

Summary of Compliance against the Public Sector Internal Audit Standards

Section	Standard	Compliant				Total
		Yes	Partial	No	N/A	
1	Definition of Internal Auditing	3	-	-	-	3
2	Code of Ethics	13	-	-	-	13
3	Attribute Standards					
3.1	Purpose, Authority and Responsibility	23	-	-	-	23
3.2	Independence and Objectivity	30	-	1	3	34
3.3	Proficiency and Due Professional Care	21	-	-	-	21
3.4	Quality Assurance and Improvement Programme	20	-	-	7	27
4	Performance Standards					
4.1	Managing the Internal Audit Activity	46	-	-	1	47
4.2	Nature of Work	31	-	-	-	31
4.3	Engagement Planning	58	-	-	-	58
4.4	Performing the Engagement	23	-	-	-	23
4.5	Communicating Results	52	-	-	3	55
4.6	Monitoring Progress	4	-	-	-	4
4.7	Communicating the Acceptance of Risks	2	-	-	-	2
Total		326	-	1	14	341

Compliance against the Public Sector Internal Audit Standards / Local Government Application Note

Public Sector Internal Auditing Standards – No Compliance

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
3.2 - Independence and Objectivity					
Does the board: e) approve decisions relating to the appointment and removal of the CAE	No	Such actions are not constitutionally permissible to be undertaken by 'the board' (Local Authorities (Standing Orders) (England)Regulations 2001)	-	-	-

Public Sector Internal Auditing Standards - Action Plan – Not Applicable

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
3.2 - Independence and Objectivity					
Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	N/A	There have been no known instances where an internal auditor has used information for personal gain	-	-	-
If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	N/A	There have been no known instances of real or apparent impairment of independence or objectivity.	-	-	-
Where have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	N/A	The Chief Internal Auditor has no operational responsibilities outside of the internal audit function.	-	-	-
3.4 - Quality Assurance and Improvement Programme					
Has the CAE considered the pros and cons for the different types of external assessment (i.e. 'full' or self-assessment plus 'independent validation')?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
		March 2018.			
Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014
Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the Chair of the audit committee, the CFO or the chief executive?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014
Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new. The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.	Head of Southern Internal Audit Partnership	September 2014
Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the external assessment	N/A	The requirement for an external assessment (to be undertaken every 5 years) is new.	The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the	Head of Southern Internal Audit	September 2014

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
<p>process?</p> <p>Competence can be determined in the following ways:</p> <ul style="list-style-type: none"> a) experience gained in organisations of similar size b) complexity c) sector (ie the public sector) d) industry (ie local government), and e) technical experience. <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>		<p>The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.</p>	<p>options, form timing and scope of the external assessment.</p>	<p>Partnership</p>	
<p>How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?</p>	<p>N/A</p>	<p>The requirement for an external assessment (to be undertaken every 5 years) is new.</p> <p>The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed an external assessment until 31 March 2018.</p>	<p>The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.</p>	<p>Head of Southern Internal Audit Partnership</p>	<p>September 2014</p>
<p>Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity</p>	<p>N/A</p>	<p>The requirement for an external assessment (to be undertaken every 5 years) is new.</p> <p>The PSIAS took effect from 1 April 2013; as such there is no requirement to have completed</p>	<p>The Head of the Southern Internal Audit Partnership will present a paper to the Key Stakeholder Board exploring the options, form timing and scope of the external assessment.</p>	<p>Head of Southern Internal Audit Partnership</p>	<p>September 2014</p>

Standard	Compliant	Comment	Action	Responsible Officer	Implementation Date
belongs.		an external assessment until 31 March 2018.			
4.1 - Managing the Internal Audit Activity					
Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	N/A	Internal audit is not provided by an external service provider.	-	-	-
4.5 - Communicating Results					
Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:					
a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-
b) The reason(s) for non-conformance?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-
c) The impact of non-conformance on the engagement and the engagement results?	N/A	Occasion has not arisen whereby non-conformance with PSIAS has impacted on an engagement.	-	-	-

HAVANT BOROUGH COUNCIL

GOVERNANCE & AUDIT COMMITTEE

Review of the Council's Statement of Arrangements for Managing Risks and Quarterly Update on Corporate Risks from the Executive Board

Report by Jane Eaton, Executive Head: Governance and Logistics

FOR NOTING

Cabinet Lead for Governance & Logistics

Key Decision: No

1.0 Purpose of Report

1.1 This report tells the Committee about the Council's corporate governance and risk management arrangements and gives the Committee an update on the highest corporate risks reviewed by the Joint Executive Board in May.

2.0 Recommendation

2.1 The Committee notes Council's arrangements for the management of risk for the year 2014/15.

2.2 The Committee notes the most serious corporate risks reviewed by the Joint Executive Board on 13 May.

3.0 Summary

3.1 This report introduces the Committee to the Council's statement of arrangements for managing risk in 2014/15. The report also tells the Committee about the 5 risks the Executive Board felt remained high after mitigation at their last review meeting.

4.0 Subject of Report

4.1 To ensure everyone who works for the Council understands the importance of risk identification and management we have a statement of arrangements for managing risk. We review this statement every year. The 2014/15 statement of arrangements is shown as an appendix to this report. In their role as the Councillor body overseeing the way Council officers manage risk the Governance & Audit Committee receives this document at its June meeting.

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

on 13 May 2014. The most important risks, those showing red on our corporate risk register after mitigation, at this time were:

- 4.2.1 IT provision remained a high risk, largely around the implementation of the new Finance System in April 2015 because this is such an important IT system. However, the upgrade to the current financial system that had caused some instability in March and April is now complete and operating well and lessons learnt for the 2015 implementation.
- 4.2.2 The Executive Board felt manpower and resources remained a high risk and could put some corporate objectives at risk because some professional services were experiencing difficulties with recruiting staff. Key services with difficulties reported are planning, finance and property. Management have taken action in these areas with 3 new accountants starting work this month following a targeted recruitment campaign and property have a reasonable shortlist in place for their vacancies.
- 4.2.3 Continuity of political leadership showed as a high risk in May due to changes in the party leadership of the majority party and several Cabinet members being due for re-election in the District elections.
- 4.2.4 Service continuity also showed as a high risk in May due to potential changes in portfolios and committee chairs following the change in leadership of the Conservative Group.

5.0 Implications

5.1 Resources: (*finance, staffing, property etc*)

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

5.2 Legal:

There are no legal implications arising from this report.

5.3 Strategy:

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

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

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

5.5 Communications:

There is no need for communications following this report.

5.6 For the Community:

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

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

6.0 Consultation

Executive Board and the Risk Management Group.

Appendices:

The appendix is the Council's statement of arrangements for managing risk during the 2014/15 financial year.

Background Papers:

None

Agreed and signed off by:

Executive Head of Governance & Logistics: 30 May 2014
Relevant Executive Head: 30 May 2014

Contact Officer: Jane Eaton
Job Title: Executive Head: Governance & Logistics
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**HAVANT BOROUGH COUNCIL'S STATEMENT OF ARRANGEMENTS FOR
MANAGING OF RISK 2014/15**

A1. Purpose of this document

A1.1. This document explains how we identify, control and record risks at Havant Borough Council.

A2. Types of risk

A2.1. Risks at the Council are managed at 3 levels: corporate risks, service risks and project risks.

A2.2. Corporate risks are those potentially affecting the overall objectives and delivery Council business.

A2.3. Service risks are those potentially affecting the delivery of individual services provided by the Council.

A2.4. Project risks are those potentially affecting the delivery of high profile projects.

A2.5. The Council maintains risk registers for all these types of risks.

A3. Risk responsibilities

A3.1. It is the responsibility of every officer in the Council to identify risks as part of their role and to undertake annual electronic training to assist them to do this. Officers with no electronic access receive training from their managers. When an officer identifies a risk they discuss it with their line manager.

A3.2. It is the responsibility of every manager in the Council to identify, evaluate and manage risks in their service areas. These include risks they identify themselves, risks reported to them from their team(s) and risks allocated to them through the risk governance mechanisms.

A3.3. Managers below service manager must ensure their service manager knows about the risks they are managing so they can be incorporated on the service risk register.

A4. Risk governance

A4.1. The Council has an officer Risk Management Group that oversees all risk registers. It reviews the registers each quarter and develops our risk approach.

- A4.2. The Councils' lead officer on risk management is the Executive Head of Governance & Logistics. The Executive Head ensures the risk registers are maintained. Administrative support to the risk management process is provided by one of the Corporate Support Team Leaders. The Executive Head is the chair of the Risk Management Group.
- A4.3. The Executive Board discusses Corporate Risks every month and members add any new risks to the register. Following a meeting of the Risk Management Group every quarter the Board reviews the full corporate risk register increasing or decreasing the likelihood the risks occurring, adding new risks and putting in and removing service areas where these issues are problem.
- A4.4. The Service Managers group discusses risk every month and the chair of the meeting raises any service risks moving towards a corporate level with the Risk Management Group.
- A4.5. Project Boards review project risks at every board meeting. The Project Sponsor agrees any risks developing corporate implications and the Project Manager raises with the Risk Management Group.
- A4.6. The Governance & Audit Committee has the Councillor role in risk management. This is detailed in its terms of reference in the Council constitution. The Governance & Audit Committee receive an update on these arrangements in June each year. They receive an update on the key corporate risks as last reviewed by the Executive Board at every meeting.

A5. Risk ownership

- A5.1. Each risk on our risk registers has a risk owner. This is the manager most able to address these issues. The risk owner decides, subject to scrutiny as part of our risk management process, how we manage the risk.

A6. Risk evaluation

- A6.1. Managers evaluate risks on a scoring scheme of A-D for likelihood and 1-5 for impact. The definitions we use are:

A6.2. Likelihood

A – Very Likely, a more than 75% chance of occurring within the current financial year

B – Likely, a 51%-75% of occurring within the current financial year

C – Unlikely, a 10%-50% of occurring within the current financial year

D – Very Unlikely, less than <10% of occurring within the current financial year

A6.3. Impact

- 1 – Major - Service unable to be delivered
- 2 – Significant - Material effect on resources and disruption
- 3 – Moderate - Could be contained within resources and service
- 4 – Minor - Hardly noticeable - very minor effect on organisation

A6.4. Risk matrix

This chart gives a visual representation of the Council's risk matrix.

	1	2	3	4
A	A1	A2	A3	A4
B	B1	B2	B3	B4
C	C1	C2	C3	C4
D	D1	D2	D3	D4

A7. Risk control

A7.1. For each risk the risk owner decides how we will deal with the risk. If possible we try to avoid the risk, in these cases we can quickly remove it from our risk register. With the remaining risks the risk owner will decide to use one, or a mixture, of the following methods:

- risk transfer – if the risk can be transferred to another for a lower cost than it would cost the Council to retain the risk we will transfer the risk. The owner normally does this through the use of insurance. Other transfer options include transferring to a specialist organisation.
- risk mitigation – the risk owner will develop ways of lessening the potential impact of the risk.
- risk acceptance – because the cost of mitigation or transfer outweighs the cost of the potential loss, the risk owner will decide to accept the risk or, in most cases, a residual part of the risk.

A7.2. The risk owner details their risk management approach in the risk mitigation section of the risk register.

A8. Maintenance of records

A8.1. The service and corporate risk registers are kept and updated each month in the governance area of the Kahootz information sharing solution. Risk registers for the current financial year and the year before are kept on Kahootz. Risk management service's administrator

transfers the service and corporate risk registers from the financial year 2 years before this one to the Meridio document imaging system.

A8.2. Project risk registers are stored on Kahootz with project documentation and are transferred to Meridio after the post-implementation review of the project is completed along with the rest of the project documentation.

All risk registers are destroyed after 6 years.