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GOVERNANCE & AUDIT COMMITTEE AGENDA

Membership: Councillor Smith K (Chairman)

Councillors Mackey, Hart, Perry, Pierce Jones, Pike and Rees

Meeting: Governance & Audit Committee

Date: Wednesday 2 December 2015

Time: 5.00 pm

Venue: Hollybank Room, Public Service Plaza, Civic Centre Road,
Havant, Hampshire PO9 2AX

The business to be transacted is set out below:

Nick Leach
Monitoring Officer

24 November 2015

Contact Officer: *Tristan Fieldsend* 023 9244 6233
Email: tristan.fieldsend@havant.gov.uk

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GENERAL INFORMATION

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Internet

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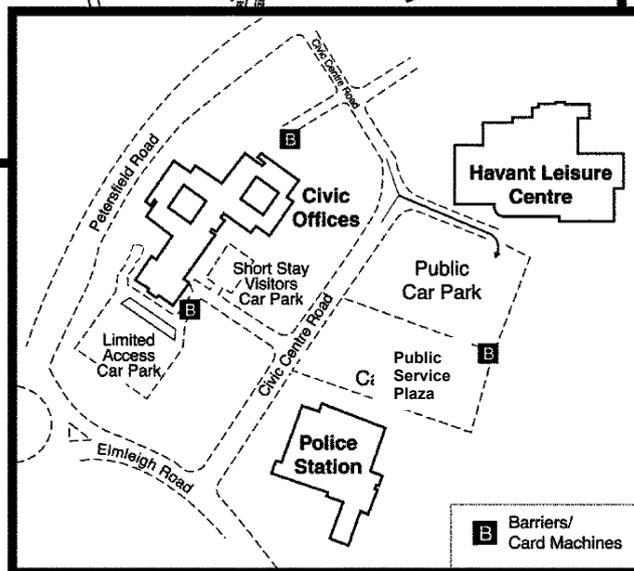
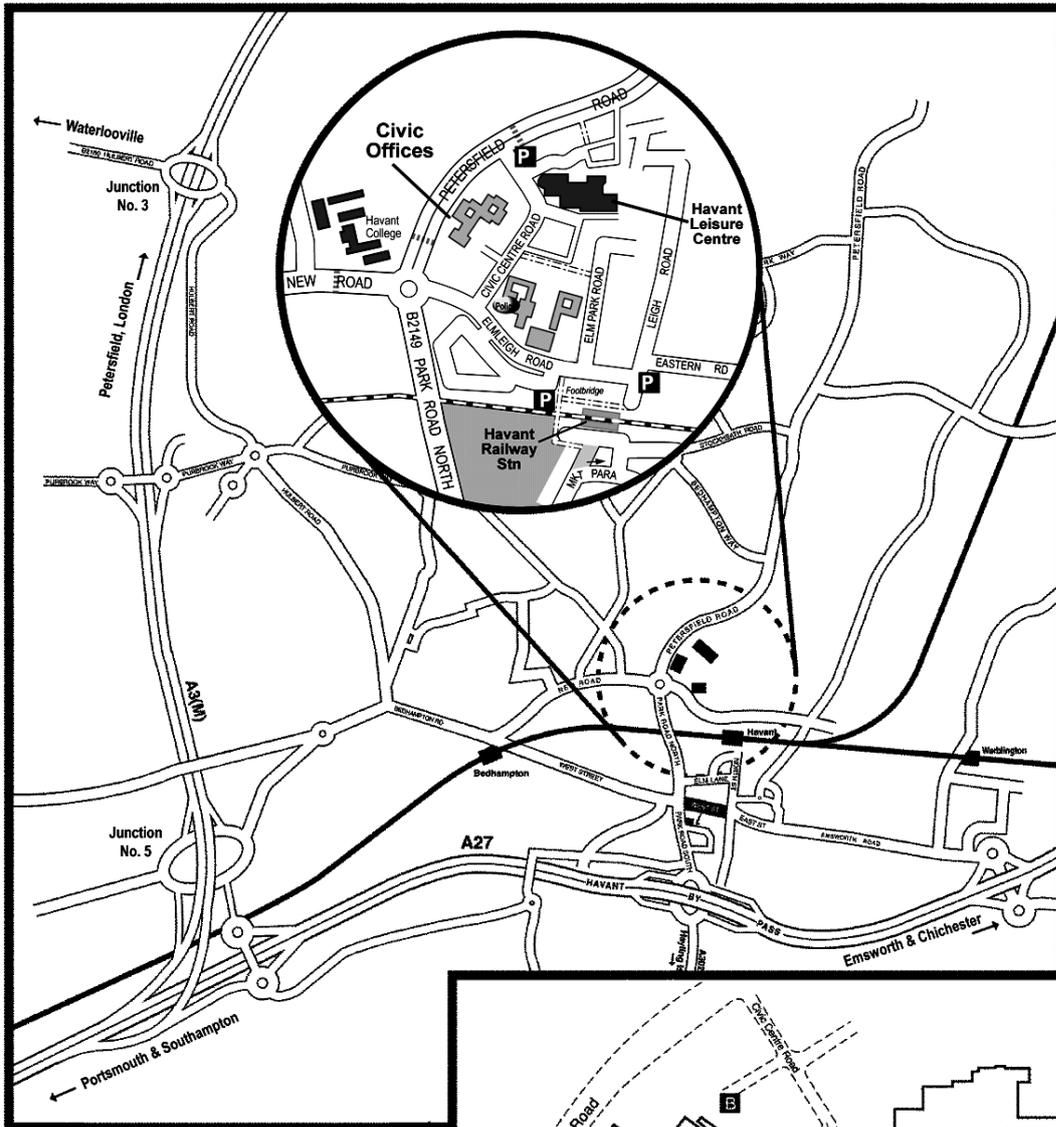
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HAVANT BOROUGH COUNCIL

At a meeting of the Governance & Audit Committee held on 23 September 2015

Present

Councillor Smith K (Chairman)

Councillors Hart and Perry

10 Apologies

Apologies for absence were received from Councillors Pierce Jones, Pike and Rees.

11 Minutes

RESOLVED that the minutes of the meeting of the Governance and Audit Committee held on 1 July 2015 be approved as a correct record.

12 Matters Arising

There were no matters arising.

13 Declarations of Interest

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

14 Chairman's Report

The Chairman reminded members that the role of the Committee was to monitor the progress of the audit and not review the audit process.

15 Annual Results Report

The Committee considered a paper presented by Helen Thompson and Ian Young of Ernst and Young LLP who joined the meeting for the debate on this item and answered members' questions in connection with the report.

The Audit Results Report provided a summary of the preliminary audit conclusion in relation to Havant Borough Council's financial position and results for year ended 31 March 2015.

The Committee noted that there had been a change in the scope of the audit plan relating to an increase in the classification of risk associated with the cleansing of the asset risk register. Due to the additional scope of the audit the proposed final audit fee had yet to be finalised and would be reported back to the Committee in December 2015.

RESOLVED that the report be noted.

16 Statements of Accounts 2014/15 and Letter of Representation

The Committee received the audited Statement of Accounts 2014/15 and the Council's Letter of Representation for approval. An amendment to pages 16 and 53 of the Statement of Accounts was circulated at the meeting. The Corporate Accountancy Team Leader answered members questions in connection with the report during the course of the discussion.

RESOLVED that

- 1) The Statement of Accounts for 2014/15 be agreed and signed by the Chairman and the S151 Officer; and
- 2) The draft Letter of Representation be agreed and signed by the Chairman and the S151 Officer.

17 Annual Governance Statement

The Committee was provided with the Annual Governance Statement for Havant Borough Council which accompanied the 2014/15 Statement of Accounts.

The Corporate Accountancy Team Leader introduced the report and explained it covered three main areas:

- i) The governance arrangements in place for the 2014/15 financial year;
- ii) The governance arrangements which were reviewed during the year; and
- iii) The areas of governance arrangements that Havant Borough Council was currently working on.

RESOLVED that the report be noted.

18 Local Government Ombudsman

The Committee received the Local government Ombudsman Annual Review Letter 2015. The letter contained details of the annual summary of statistics on the complaints made to the Ombudsman about the authority.

RESOLVED that the report be noted.

19 Monitoring Officer's Update

A verbal update on the following three areas was provided to the Committee:

- i) Code of Conduct – Three complaints regarding Councillors had been received in 2015, none of which had resulted in any action being taken;
- ii) Training – A Code of Conduct training session had been held on 9 September which nineteen councillors had attended. The importance of ensuring all councillors had received the training was recognised and it was planned to hold an annual training session in future.
- iii) Amendments to the Constitution – The Monitoring Officer had amended Part 3 Section D of the Constitution in order to provide the Strategic Procurement Project Manager with delegated powers.

RESOLVED that the report be noted.

20 Internal Audit Progress Report

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 work against assurance work completed in accordance with the approved audit plan.

A report on Depot Services (Stock Control) had concluded with a limited assurance opinion. Procedures were now being introduced to address the issues identified and good progress was being made. The Committee was reminded that it could refer the issue to the Overview and Scrutiny Board for further investigation.

In response to a question on the Legal Services Project the item would be removed from the Audit Plan as it was currently undergoing a review.

RESOLVED that the report be noted.

21 Quarterly Update on Corporate Risks from the Executive Board

The Committee noted a report from the Executive Head for Governance and Logistics providing an update on the corporate risks reviewed by the Executive Board.

In response to a question over staffing levels in the Legal Team the Committee was informed that the Executive Head for Marketing and Development was reviewing the situation as a priority.

RESOLVED that the most serious corporate risks reviewed by the Joint Executive Board on 8 September 2015 be noted.

The meeting commenced at 5.00 pm and concluded at 5.56 pm

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NON-EXEMPT

HAVANT BOROUGH COUNCIL

Governance & Audit Committee

2 December 2015

EXTERNAL AUDIT PAPERS – HAVANT BOROUGH COUNCIL
Corporate Accountancy Team Leader

FOR INFORMATION

Portfolio: FINANCE - CLLR MIKE CHESHIRE

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

3.1 To fulfil 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 Annual Audit Letter 2014/15

The purpose of this letter is to communicate to the Members of Havant Borough Council and external stakeholders, including members of the public, the key issues arising from our 2014/15 audit.

4.2 Local Government Audit Committee Briefing

The purpose of this report is to summarise some of the current issues facing the Local Government sector and is for information only.

4.3 Audit Progress

We will provide a verbal update of the progress made on the certification of your 2014/15 Housing Benefit Subsidy Claim and will provide an update regarding a change in engagement lead for 2015/16.

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

Corporate Accountancy team Leader

7.1 Appendices:

1. 2014/15 Annual Audit Letter

2. Local Government Audit Committee Briefing

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Havant Borough Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP



The Members of Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
Hampshire
PO9 2AX

15 October 2015

Dear Members

Annual Audit Letter 2014/15

The purpose of this Annual Audit Letter is to communicate to the members of Havant Borough Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to the Governance and Audit Committee in our Audit Results Report presentation given on 23 September 2015.

The matters reported here are the most significant for the Authority.

This is the last year that I will audit Havant Borough Council and my successor for the 2015/16 audit will be Andrew Brittain. I would like to take this opportunity to thank officers for their assistance during the course of our work both this year and in the time I have been the auditor of the Council. .

Yours faithfully



Helen Thompson
For and behalf of Ernst & Young LLP
Enc

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer 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 Annual Audit Letter 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.

1. Executive summary

Our 2014/15 audit work was undertaken in accordance with the Audit Plan issued on 22 April 2015 and was conducted in accordance with the Audit Commission’s Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements and on the consistency of other information published with them;
- reviewing and reporting by exception on the Authority’s AGS;
- forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources; and
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Havant Borough Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland).	On 24 September 2015 we issued an unqualified audit opinion on the Authority’s financial statements.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 24 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority needs to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 24 September 2015.
Consider the completeness of disclosures on the Authority’s AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance.	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit.	No issues to report.
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act.	No issues to report.

Area of work

Result

As a result of the above we have also:

Issued a report to those charged with governance of the Authority with the significant findings from our audit.

Our Audit Results Report was presented on 23 September 2015 to the Governance and Audit Committee.

Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Issued on 24 September 2015.

In December 2015 we will also issue a report to those charged with governance of the Authority summarising the certification of grant claims work we have undertaken.

2. Key findings

2.1 Financial statement audit

The Authority's Statement of Accounts is an important tool to show both how the Authority has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 24 September 2015.

Our detailed findings were reported to the Governance and Audit Committee on 23 September 2015.

Significant Risk: Risk of management override

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.

We did not identify any material misstatements or evidence of material fraud or and we have no other significant matters to report.

Significant Risk 2 – Property, plant and equipment restatement

To address a point raised in our 2013/14 audit results report, and in preparation for a system change in 2015/16, the Authority undertook a cleansing exercise of the fixed asset register. This exercise highlighted:

- ▶ a number of assets owned by the Authority not included on the asset register and
- ▶ historic expenditure which had been capitalised but could not be clearly linked to an Authority owned asset.

We reviewed our initial risk assessment, and reclassified this as a significant risk. We reviewed the prior year adjustment and associated disclosures proposed by the Authority, giving due consideration to assets recorded on the asset register which had still been excluded from the Authority's fixed asset register and the disclosure requirements of the Code of Practice on Local Authority Accounting and relevant auditing standards.

Our testing identified assets totalling a further £257,000 which had been incorrectly omitted from the fixed asset register. We also asked the Authority to make additional disclosures to explain why it was unable to provide 2012/13 comparatives.

Our audit highlighted a number of casting and cross referencing issues within the draft financial statements. The errors were not of a material nature and the relevant corrections were made by the Authority.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Authority had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 24 September 2015. A summary of the key findings from our work to support our conclusion is set out below.

Significant Risk: Delivering efficiencies to secure financial resilience

Our audit plan highlighted that, like other local government bodies, the Authority continues to face financial challenges over the medium term. Our work focussed on reviewing the reasonableness and robustness of medium term financial planning assumptions and the progress made with service transformation.

The Authority delivered a surplus of £0.553 million on its 2014/15 budget against a target surplus of £0.541 million. A balanced budget has been set for 2015/16 to deliver a surplus of £0.18 million which includes fully utilising the new homes bonus available to the Authority.

The future is more challenging and the current medium term financial strategy (MTFS) highlights a gap of £0.588 million in 2016/17, £0.888 million in 2017/18, rising to £1.5 million in 2019/20. The Authority has made reasonable assumptions in their MTFS. However, it should ensure that there are plans in place should funding streams or methods of funding change in the future.

The Authority has a good track record of delivering its annual budget, including identifying and delivering savings targets and additional income streams. However, the size of the future financial challenge should not be underestimated and the Authority will need to ensure it clearly identifies the savings and service transformation targets; monitors delivery and continues to report progress transparently.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes.

We had no issues to report.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

2.6 Other powers and duties

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Governance and Audit Committee on 23 September 2015. In our professional judgement the firm is independent and the objectivity of the Audit Director and audit staff has not been compromised within the meaning of regulatory and professional requirements

2.8 Certification of grant claims and returns

We will issue the Annual Certification report for 2014/15 in December 2015.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicate to those charged with governance at the Authority, as required, significant deficiencies in internal control.

We reported two issues in our audit results report. These are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
It is not possible for the Authority to produce an aged debt report for Housing Benefit debtors retrospectively. The report for 2014/15 was produced in July 2015 which resulted in differences to the financial statements.	Additional procedures were undertaken to ensure the Housing Benefit debtors were not materially misstated. We recommend that the Authority run this report on 31 March each year and incorporate this into the working papers provided to audit.
Our audit identified a number of errors within the working papers to support the lease disclosures within the financial statements.	Material errors were identified within the lease disclosures in the financial statements. As a result, the Authority was required to calculate and disclose a prior period adjustment. Additional review of the supporting working papers for leases should be undertaken by the finance team to prevent this issue recurring.

4. Looking ahead

Description	Impact
<p>New financial system</p> <p>The Authority will be implementing a new financial system in October 2015.</p>	<p>We are required to test both old and new system and the transactions contained therein. We will also need to assure ourselves over the integrity of the data transfer process.</p> <p>Where possible we will seek to rely on the work of internal Audit.</p>
<p>Highways Network Asset (formerly Transport Infrastructure Assets):</p> <p>The Invitation to Comment on the Code of Accounting Practice for 2016/17 sets out the requirements to account for Highways Network Asset under depreciated replacement cost from the existing depreciated historic cost. This is to be effective from 1 April 2016.</p> <p>This requirement is not only applicable to highways authorities, but to any local government bodies that have such assets.</p> <p>This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.</p> <p>Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.</p>	<p>The Authority will need to demonstrate it has assessed the impact of these changes. Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as:</p> <ul style="list-style-type: none"> • footways; • cycleways; and • street furniture.

5. Fees

Our fee for 2014/15 was set in line with the scale fee set by the Audit Commission and reported in our Audit Plan and Audit Results Report.

However, we carried out additional work in the final stages of our audit:

- ▶ Property plant and equipment prior period adjustment: we reviewed the detailed working papers associated with the adjustment proposed by the Authority. This involved a significant number of follow up questions which resulted in identification of assets totalling a further £257,000 which had been incorrectly omitted from the fixed asset register and financial statements of the Authority. We also identified a need for additional disclosures in note 41 of the financial statements to explain why the Authority was unable to provide 2012/13 comparatives.
- ▶ Lease disclosures: our work identified a number of errors in the Authority's lease disclosure in note 34, both as lessee (finance leases) and lessor (operating leases). The former resulted in the Authority needing to restate the prior year comparatives and disclose opening balances.

We have now completed our audit, and our final proposed fee is £65,519. The Executive Head of Governance Logistics has agreed this additional fee, and it is now subject to agreement by Public Sector Audit Appointments Ltd.

We carried out no non-audit work in 2014-15 (none in 2013-14).

	Final fee 2014/15	Planned fee 2014/15	Scale fee 2014/15	Final fee 2013/14
Total Audit Fee – Code work	£65,519 (TBC)	£62,400	£62,400	£64,083
Total Audit Fee – Certification of claims and returns	*TBC	£17,840	£17,840	£12,320

** Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to those charged with governance in December 2015 within the Annual Certification Report for 2014/15.*

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Local government audit committee briefing

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Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake.

The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international

business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



Government and economic news

However, Communities Secretary Greg Clark said:

“We’re determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today’s historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country.”

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA’s briefing document can be downloaded from <http://www.cipfa.org/cipfa-thinks/briefings>, and further information from the government is available at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants>

Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government’s stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the ‘Better Business Compliance Cabinet programme’, and reflects consideration of the findings from this trial.

An example of this is the Government’s proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf



Government and economic news

Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- ▶ 82% of councils have published local plans which state how many homes they intend to build over a given period
- ▶ 65% have fully adopted these plans
- ▶ Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>



Accounting, auditing and governance

Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- ▶ Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- ▶ Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- ▶ Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

<https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



Accounting, auditing and governance

Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

The NAO have recently released a consultation document (<http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to as the three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- ▶ Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- ▶ Update the definition of 'proper arrangements'
- ▶ Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- ▶ Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- ▶ Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed them. Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>.



Regulation news

Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at <http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

NAO Case Study: Managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- ▶ Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- ▶ Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- ▶ The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Have we considered the impact of the extension of Right to Buy and reflected our consideration in our Medium Term financial plans and/or Local Plan?

How successful are we in systematically improving our collection rates for Council Tax? Is there best practice that we could share via the Government's consultation?

What is our mid to long term IT strategy? Are we considering cloud-based IT and if so how robust are our risk assessments supporting the shift?

Have we formulated a response to the PSAA consultation on the work programme and scale of fees for 2016/17?



Find out more

EY Item Club Autumn Forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

Housing Associations Right to Buy

For further information, please see the government press release at <https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants> and access the CIPFA report at <http://www.cipfa.org/cipfa-thinks/briefings>

Consultation: Improving Efficiency on Council Tax Collection

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf

Local Plans for New Homes

Read the government press release at <https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017>

Proposals for further emergency services collaboration announced

For more information on the Government's proposals, please see <https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced>, and for a copy of the consultation document please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

To find out more about Cloud Computing and how EY can support you, please ask a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

Further information can be found at <https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/>, and a copy of the NAO's consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

Consultation on 2016/17 proposed fee scales

For further details on the consultation and how to respond to it, please visit:

<http://www.psa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/>

NAO Case Study: Managing reductions in local authority government funding

Find out more about the impact made by NAO reports in their interactive pdf at <https://www.nao.org.uk/wp-content/uploads/2015/10/Impacts-case-studies-2014.pdf>

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

2 December 2015

INTERNAL AUDIT PROGRESS REPORT 2015 - 16 (October 2015)

Head of Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Portfolio: Governance and Logistics – Cllr Michael Wilson

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 (October 2015) as attached.

3.0 Summary

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

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

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

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

3.3 Appendix 1 summarises the performance of internal audit for 2015-16.

4.0 Implications

4.1 Resources:

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

4.2 Legal:

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

4.3 Strategy:

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

4.4 Risks:

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

4.5 Communications:

None directly from this report.

4.6 Customers 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 10 November 2015.

Appendices:

Appendix 1 – Internal Audit Progress Report (October 2015)

Agreed and signed off by:

Legal Services: Nick Leach – Solicitor / Monitoring Officer

Finance: Jane Eaton - Executive Head of Governance & Logistics

Contact Officer: Neil Pitman

Job Title: Head of Southern Internal Audit Partnership

Telephone: 01962 845139

E-Mail: neil.pitman@hants.gov.uk

Internal Audit Progress Report

October 2015

Havant Borough Council

Havant
BOROUGH COUNCIL

**Southern Internal
Audit Partnership**

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1. Role of Internal Audit

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

‘Undertake an 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. Purpose of report

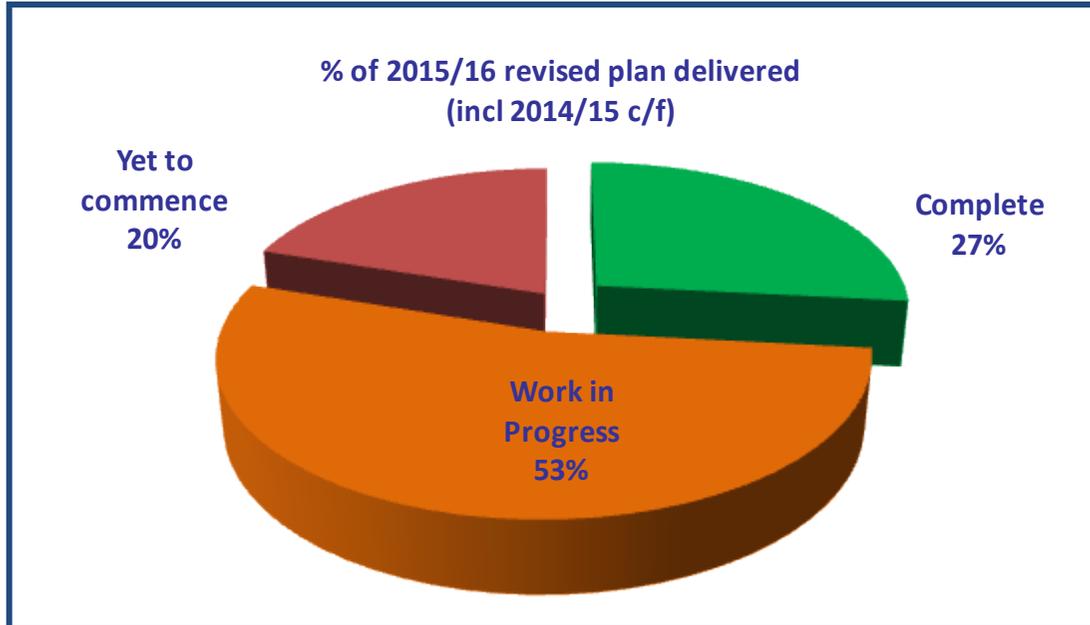
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- the status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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

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

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note (LGAN)	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN). This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the SIAP.'</i></p>

4. Status of 'Live' Reports

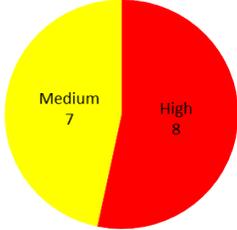
Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Vehicle maintenance	10/10/13	ES	Adequate	Adequate	5 (1)	5 (1)		
Lease income	16/12/13	G&L	Adequate	Adequate	7 (0)	5 (0)		2 (0)
Accounts payable	06/01/14	G&L	Adequate	Adequate	1 (0)		1 (0)	
Payroll	31/01/14	G&L	Adequate	Adequate	3 (0)	3 (0)		
Partnership management	22/04/14	C	Limited	Adequate	6 (1)	4 (1)		2 (0)
Health and Safety at work	02/05/14	G&L	Adequate	Adequate	5 (0)	5 (0)		
Asset Acquisition Strategy	13/05/14	G&L	Adequate	Adequate	2 (0)	2 (0)		
Planning Development Fee Income	01/07/14	E&P	Adequate	Adequate	4 (0)	2 (0)		2 (0)
Finance - Budgetary Control	13/08/14	G&L	Adequate	Adequate	2 (0)		1 (0)	1 (0)
Capital Purchases	19/08/14	G&L	Adequate	Adequate	2 (0)	2 (0)		
Information Management	06/10/14	G&L	Adequate	Adequate	5 (0)		5 (0)	
Fuel Management	27/10/14	ES	Adequate	Adequate	14 (0)	13 (0)		1 (0)
Project Management	05/11/14	M&D	Adequate	Adequate	6 (0)	6 (0)		

Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Developers Contributions and Obligations	21/01/15	E&P	Adequate	Adequate	8 (0)	4 (0)		4 (0)
Beach Huts	29/04/15	ES	Adequate	Adequate	3 (0)	2 (0)	1 (0)	
IT Security Protocol	27/05/15	M&D	Adequate	Adequate	3 (0)	1 (0)	2 (0)	
IT Partnership Agreement	27/05/15	M&D	Adequate	Adequate	5 (0)	4 (0)	1 (0)	
Council Tax	17/06/15	G&L	Adequate	Adequate	2 (0)		1 (0)	1 (0)
Building Control	17/06/15	E&P	Adequate	Adequate	6 (0)	5 (0)	1 (0)	
Licensing	12/08/15	M&D	Adequate	Adequate	6 (4)	6 (4)		
Depot Services (Stock Control)	26/08/15	ES	Limited	Limited	16 (2)	12 (1)	4 (1)	
Code of Conduct	01/09/15	G&L	Adequate	Adequate	5 (1)	4 (1)		1 (0)
Land Charges	04/09/15	E&P	Adequate	Adequate	2 (1)		1 (0)	1 (1)
Human Resources	07/10/15	G&L	Limited	Limited	15 (8)	10 (6)	5 (2)	
Disabled Facilities Grants	14/10/15	C	Adequate	Adequate	4 (0)	4 (0)		

Audit Sponsor	
Executive Head Marketing and Development	M&D
Executive Head Governance and Logistics	G&L
Executive Head Environmental Services	ES
Executive Head Economy and Planning	E&P
Executive Head Communities	C

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5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

Human Resources		
<p>Audit Sponsor: Executive Head Governance & Logistics</p> <p>Key Contacts: Jane Eaton, Caroline Tickner, Angela Sturgess</p> <p>Final Report Issued: 7 October 2015</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations:</p> <p>Sample testing of starter’s and leaver’s files confirmed that key documentation is not always being obtained or retained on the personnel files. In particular, the legislative duty to verify entitlement to work in the UK was either not evidenced or correctly documented in 33% of cases tested.</p> <p>The HR performance information, being reported to senior management and Members quarterly, is linked to the relevant Marketing and Development Business Plan targets and supplied on a timely basis. However, there are inaccuracies and inconsistencies in the figures currently being reported.</p> <p>Personnel files and associated documentation are held securely in both hard copy and electronic formats. Retention schedules are in place for key HR documents, however current filing and disposal arrangements are not adequate to ensure compliance.</p>		

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.15 – 31.10.15
Part 2 Requirements – Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil*
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	2.5 days*
Total number of new fraud cases investigated	0**

*relates to internal audit staff within the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, departmental investigating officers, Housing Benefits etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse* - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'

7. Planning & Resourcing

The internal audit plan for 2015-16 was prepared following meetings with the Executive Heads and Service Managers and was presented to the Executive Board on 03 February 2015 and the Governance and Audit Committee on 03 March 2015. The audit plan remains fluid to ensure audit resource is effectively aligned to the Council's needs. Progress against the plan is detailed within section 8.

8. Rolling Work Programme

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
2014-15 Carry Forward Reviews						
HR	✓	✓	✓	✓		07/10/15
Code of Conduct	✓	✓	✓	✓		01/09/15
Depot Services	✓	✓	✓	✓		26/08/15
2015-16 Reviews						
Corporate cross cutting						
Asset Management						

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
Contract Management	✓	✓				
Strategic Planning	✓	✓				
Performance Management Systems						
Procurement – Operational Services	✓	✓	✓	✓		
Procurement						
Corporate governance						
Proactive Fraud Initiatives	n/a	✓				
Annual Governance Statement	✓	✓	✓	✓		13/08/15
Special Investigation (s)						
Local Government Transparency Code	✓	✓	✓			
National Fraud Initiative (NFI)	n/a	✓				
Decision Making / Accountability	✓	✓	✓	✓		16/09/15

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
Financial management						
Accounts Payable	✓	✓				
Accounts Receivable / Debt Management	✓	✓				
Financial Planning / Budgetary Control	✓	✓				
Finance – Main Accounting	✓	✓				
National Non-Domestic Rates (NNDR)	✓	✓				
Standing Conference of Problems Associated with the Coastline Accounts (SCOPAC)						
Information technology						
New IT Applications / Finance System Access Controls						
ICT Hosted Services	✓	✓				
Computer implementations (Finance)						Advice role
Corporate objectives						

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
Disabled Facilities Grants	✓	✓	✓	✓		14/10/15
Insurance	✓	✓				
Land Charges	✓	✓	✓	✓		04/09/2015
Licensing	✓	✓	✓	✓		12/08/2015
Broadmarsh – Coastal Revetment Sea Defence Works	✓	✓	✓	✓		
Thematic Review / smaller services						

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

2 December 2015

Southern Internal Audit Partnership – External Quality Assessment
Head of Southern Internal Audit Partnership

FOR DECISION

Portfolio: Governance and Logistics – Cllr Michael Wilson

Key Decision: No

1.0 Purpose of Report

1.1 The purpose of this paper is to provide the Governance and Audit Committee with outcomes from the Southern Internal Audit Partnership's External Quality Assessment.

2.0 Recommendation

2.1 That the Governance and Audit Committee note the External Quality Assessment of the Southern Internal Audit Partnership as attached.

3.0 Summary

3.1 The Public Sector Internal Audit Standards [1312 External Assessments] requires:

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

3.2 Following a review of potential suppliers it was agreed by the Key Stakeholders Partnership Board that the Institute of Internal Auditors would be selected for the purposes of the external assessment of the Southern Internal Audit Partnership.

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

3.4 The assessment was undertaken during September 2015 and included review of a wide range of documentary evidence and interviews with seventeen representative stakeholders (including Chief Executives, Audit Chair's and S151 Officers) along with members of the Southern Internal Audit Partnership.

3.5 In addition a survey was circulated to all Audit Committee members, Corporate Management Teams (or equivalent) and Southern Internal Audit Partnership (SIAP) staff. Responses were received from 30 members of SIAP, 18 members of the executive management teams and 13 members of Audit Committees.

3.6 In considering all sources of evidence (surveys, interviews and documentary review) the external assessment team concluded:

'The Institute of Internal Audit's (IIA's) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and International Standards. Complimentary standards apply for the public sector as well as Local Government. Added together, there are 343 fundamental principles to achieve, and while some overlap, the context and thrust of the differing standards add complexity within Southern Internal Audit Partnership not seen in many organisations.

*It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of these principles. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by the Southern Internal Audit Partnership.*

*There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of Southern Internal Audit Partnership's remit.*

*It is therefore appropriate for the Southern Internal Audit Partnership service to say in reports and other literature that it "**conforms to the IIA's professional standards**" and that its work has been performed "**in accordance with the IPPF.**"*

3.7 Additionally the external assessors benchmarked the performance of the Southern Internal Audit Partnership against a maturity model based on a wide range of UK and Irish internal audit functions and assessed the Partnership as '**Excellent**' in its:

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

And as '**Good**' in its:

- Coordinating and maximising assurance
- The efficiency of its operations

Grading range	Excellent	Good	Satisfactory	Needs improvement	Poor
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3.8 The external assessors did identify some recommendations for further development:

- To introduce 1-2-1 private meetings between the Head of Internal Audit and the Chairman of the Audit Committee(s);
- To incorporate within the annual audit plan presented for approval to the Audit Committee(s) a brief (one or two sentence) overview of the scope of individual reviews to assist members in ensuring the risk appetite of the organisation is appropriately reflected;
- To highlight the underlying cause for any delays in audit assignments within the progress report presented quarterly to senior management and the Audit Committee; and
- To provide an overview to partners of best practice identified across the SIAP's wider client base or through liaison with other similar bodies to provide additional added value that partnership working affords.

3.9 An action plan has been put in place to address all issues by March 2016

3.10 Appendix 1 provides a copy of the full External Quality Assessment Report.

4.0 Implications

4.1 Resources:

There were no resource implications. The management time invested in the preparation and facilitation of the EQA was absorbed as part of the Head of Southern Internal Audit Partnership's normal duties.

4.2 Legal:

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

4.3 Strategy:

An effective 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 decision to undertake the EQA at an early stage mitigates the risk to the Council of a non-compliant internal audit service.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

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

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 10 November 2015.

Appendices:

Appendix 1 – Southern Internal Audit Partnership – External Quality Assessment

Agreed and signed off by:

Legal Services: Nick Leach – Solicitor / Monitoring Officer

Finance: Jane Eaton - Executive Head of Governance & Logistics

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



**Southern Internal
Audit Partnership**

Southern Internal Audit Partnership (SIAP)

Prepared by David Finch and John Chesshire on behalf of the CIIA 23rd September 2015

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	<p>Corporate Audit meets all the Standards and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that Southern Internal Audit Partnership (SIAP) may state in its audit reports that the work "has been performed in accordance with the IPPF".</p> <p>In addition, we confirm that SIAP have also met all the standards of the Public Sector Internal Audit Standards (PSIAS) and those contained in the Local Government Application Note (LGAN) for Internal Audit.</p>
	<p>We have benchmarked the performance of Southern Internal Audit Partnership against a maturity model based on a wide range of UK and Irish internal audit functions and we believe that SIAP is Excellent in its</p> <ul style="list-style-type: none"> • Reflection of the Standards • Focus on performance, risk and adding value • Quality Assurance and Improvement Programme <p>We consider SIAP is Good as regards</p> <ul style="list-style-type: none"> • Coordinating and maximising assurance • The efficiency of its operations
	<p>We consider that a key factor in these achievements is that SIAP has a highly competent and technically proficient Head of Internal Audit who has successfully developed the SIAP operation into a leading edge internal audit function, operating effectively across all its clients. We have listed its Strengths, Weaknesses, Opportunities and Threats as prompts for action for further development and continuous improvement.</p>
	<p>Our discussions with Executive directors and Councillors across its client base confirm our view that SIAP is a highly reliable source of third line Assurance; and it is competent to advise on governance, risk and control.</p>
	<p>Organisations tend to get the internal audit functions they deserve. We observed a very positive cultural and operational fit between SIAP and its client base, which has evolved over the last five years under the leadership of the current Head of Internal Audit.</p>

1. Conformance to the Standards:

International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); Local government Application Note (LGAN).

The Institute of Internal Audit’s (IIA’s) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Code of Ethics and *International Standards*. Complimentary standards apply for the public sector as well as Local Government . Added together, there are 343 fundamental principles to achieve, and while some overlap, the context and thrust of the differing standards add complexity within SIAP not seen in many organisations.

It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of these principles, as summarised in the table below. This performance is within the top decile of EQA reviews we have performed. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.

There are **no instances** across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.

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

Note: While PSIAS is based on the IPPF standards, it contains more specific and detailed requirements specifically for internal audit functions operating within the public sector. The LGAN also details further requirements. We have reviewed the self-assessment against each of these levels of requirement.

It is therefore appropriate for the Southern Internal Audit Partnership service to say in reports and other literature that it **“conforms to the IIA’s professional standards”** and that its work has been performed **“in accordance with the IPPF.”**

This external quality assessment was conducted as a validation of the self-assessment carried out by Southern Internal Audit Partnership using the methods prescribed by Chartered Institute of Internal Auditors. We reviewed a wide range of documentary evidence and in addition to members of the SIAP function, interviewed seventeen representative stakeholders and interviewed / discussed matters with members of the SIAP management team.

In addition to our review of the self-assessment, we also used a “Survey Monkey” application to survey a total of 61 persons (30 members of SIAP, 18 members of the executive management teams, and 13 members of Audit Committees), with consistent results that supported our validation and interviews. Copies of the survey results have been shared with the Head of internal Audit.

We have also provided the Head of Internal Audit with our comments in a detailed standard-by-standard checklist as a separate document.

2. Opportunities for Further Development and Continuous Improvement

The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with chief audit executives, summarised in an Internal Audit effectiveness matrix (page 6). We then interpret our findings into a summary of strengths and weaknesses (page 7) to set the scope for further development based upon the wide range of guidance published by the Chartered Institute. It is our aim to offer advice and a degree of challenge to help internal audit functions continue their journey towards best practice and excellence.

Organisations tend to get the internal audit functions they deserve. We have observed a very positive cultural and operational fit between SIAP and the Councils serviced. This has evolved over the last five years under the leadership of the current Head of Internal Audit as SIAP has evolved and expanded. Further growth to the SIAP concept will however require investment within the SIAP leadership team to address the leadership constraint, and allow service enhancements to be achieved.

Our conversations with management and councillors indicate that SIAP is highly regarded, respected, trusted, and valued.

Internal Audit Effectiveness Matrix: Southern Internal Audit Partnership's Effectiveness highlighted

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

SWOT analysis: Southern Internal Audit Partnership 's opportunities for development:

What works well (Strengths)	What could be done better (Weaknesses)
<ul style="list-style-type: none"> • Highly proficient team, delivering a high quality and consistent service across the client base, regardless of the extent of contracted work. • Engaged SIAP management team who are universally well regarded by both officers and councillors. • Specialist skills in house to address IT, counter fraud, procurement, and risk aspects. • Concise focussed reporting delivering insight and value. • Comprehensive and pragmatic understanding of the International Standards for Internal Audit (IPPF; PSIAS; LGAN) • Delivery of audit specific training to officers and councillors to improve understanding across SIAP client base 	<ul style="list-style-type: none"> • We note that high performing Internal Audit functions in other organisations have separate but regular informal meetings with both management and audit committee chairs, allowing emerging matters to be identified and discussed. More could be done in this regard. • When presenting annual plans to the Client Audit Committees, the high-level plans do not provide any indication of the detailed scope for the work (itself planned to review areas of high / medium risk to the organisations). Inclusion of a succinct statement of scope for each project would address this need. • SIAP does not have its own function risk register, potentially impacting their ability to “do as I say”. Addressing this would also allow SIAP management to foresee potential issues prior to their crystallisation.
What could deliver further value (Opportunities)	What could stand in your way (Threats)
<ul style="list-style-type: none"> • We believe that the partnership clients have a varied understanding of risk and risk appetite. Strengthening this understanding further would allow more value to be added in the form of risk maturity reviews; appetite versus actual risk comparisons; • While SIAP report progress to the various clients including status reports for work in progress, this doesn't provide a flavour of timeliness or the causes of delays. Amending the existing report to highlight these delays would create visibility, which in turn should improve timeliness and SIAP efficiency. • SIAP have highlighted their intention to procure a file interrogation application “IDEA”, capable of comprehensively testing large data files. We endorse this approach • Through the execution of their work, SIAP have an opportunity to identify examples of better practice. Where applicable, this could be shared with other partnership organisations to improve the control environment and spread best practice. 	<ul style="list-style-type: none"> • As the partnership grows, so the senior management team will become severely stretched to continue the high quality service offered. Investment in the first line management team will be necessary, but in turn will impact on SIAP's ability to hold down or reduce costs in line with the austerity objectives of the Councils.

Recommendations for Further Development

While we have made a number of recommendations within the SWOT analysis, we believe some require further explanation and are detailed below.

Recommendation	SIAP Head of Internal Audit response
<p>Our benchmarking experience demonstrates that effective Internal audit functions operate best when there is a constructive and in-depth understanding between the Head of Internal Audit and the Audit Committee Chairman, developed over time through informal 1-2-1 private meetings. We noted that this type of relationship did not exist with the clients of SIAP. We would therefore encourage the development of such relationships. (Weakness 1 above refers)</p>	<p>The Head of Internal Audit (or representative) currently meets with the Audit Committee Chair to discuss key points of note and pending agenda items as part of the Chairman’s Briefing prior to each Audit Committee meeting, this however, does not constitute the ‘informal 1-2-1 private meetings’ alluded to by the external assessment team.</p> <p>The Head of Internal Audit will liaise with Audit Committee Chairs across the partnership / client base to initiate private 1-2-1 meetings to further enhance current relationships.</p> <p>Head of Internal Audit – December 2015</p>
<p>One role of the Audit Committee is to review the proposed audit plans for the coming year, and to satisfy itself that the plan is balanced; focussed towards the risks of the organisation; and assists the Audit Committee in considering whether the risk appetite of the organisation is reflected in organisation activities. This can only be achieved if the Audit Committee understand the actual scope of proposed audit projects.</p> <p>We noted that while Audit committees were advised of the title of proposed projects, these were without any scope. We believe that the addition of one or two sentences to position the project within the plan would assist committee members in delivering on their obligations. (Weakness 2 refers)</p>	<p>The audit plan for each organisation is derived from extensive liaison with key stakeholders and internal audits own assessment of risk.</p> <p>The rational and indicative scope of reviews that formulate the plans are captured as part of that process, however, as highlighted by the external assessment team are not incorporated in reporting to Senior Management and the Board (Audit Committee).</p> <p>To better inform Senior Management and the Board (Audit Committee) future audit plans will incorporate one or two sentences to position each project within the plan.</p> <p>Head of Internal Audit – March 2016</p>

Recommendation	SIAP Head of Internal Audit response
<p>Managing the timing of Internal Audit activity is a challenge faced by all Heads of Internal Audit. Our benchmarking shows that the most effective way to keep audit projects on track is to improve clarity on why a particular audit project is taking the time it takes to get from inception to completed report. We find this is best achieved by highlighting the extent and underlying cause of delays within progress reports, rather than simply stating the stage reached by a particular project. (Opportunity 2 refers)</p>	<p>Internal Audit reports currently track progress and the sources / reason for delay within an appendix as part of each final audit report.</p> <p>The Head of Internal Audit will work to reconfigure the 'Progress Report' presented quarterly to Senior Management and the Board (Audit Committee) to highlight the extent and underlying cause for delays in audit assignments.</p> <p>Head of Internal Audit – December 2015</p>
<p>SIAP have a policy of not making recommendations, but instead, working with management to identify the most appropriate solution to an identified control & risk issue. Given the broad range of clients with whom SIAP operate, we believe it would be helpful if SIAP were able to give examples of best practice seen across its client base, or indeed those identified when liaising with similar Internal Audit service providers (e.g. South West Audit Partners), albeit within "Chatham House" rules. (Opportunity 4 refers)</p>	<p>Sharing of best practice is implicit within the way work portfolios are allocated and audit assignments are conducted, whereby staff with experience of a particular review area will be used to undertake similar reviews across other partner / client areas, thus imparting their knowledge and experience. However, it is recognised that key risks, opportunities or best practice principles are not formally drawn out and shared across the partnership.</p> <p>The Head of Internal Audit will undertake a quarterly assessment of such examples across the wider partnership and share as part of a standing item on the 'Partnership Board' agenda.</p> <p>Head of Internal Audit – October 2015</p>

The following rating scale has been used in this report.

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

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

List of Interviewees

Appendix 2

The time and assistance given by Executive Directors, members of the various Senior Management Teams, Councillors, and the leaders and members of the Southern Internal Audit Partnership during the review is greatly appreciated.

Name	SIAP	Exec	NED	Position / role
Neil Pitman	☐			Head of Internal Audit SIAP
Karen Shaw	☐			Deputy Head of Internal Audit SIAP
Antony Harvey	☐			Internal Audit Manager SIAP
Councillor Evans			☐	Chairman Audit Committee – Hampshire County Council
Councillor Kemp-Gee			☐	Member Audit Committee Hampshire County Council & Chair of Pension Fund Panel
Carolyn Williamson		☐		Director of Corporate resources – Hampshire County Council / Office Police & Crime Commissioner
Rob Carr		☐		Head of Finance – Hampshire County Council
Councillor Cutler			☐	Chairman of Audit Committee – Winchester City Council
Simon Eden		☐		Chief Executive – Winchester City Council (Former Chair of Audit Committee University of Winchester)
Alexis Garlick		☐		Head of Finance – Winchester City Council
Councillor Barnes-Andrews			☐	Chairman of Governance Committee – Southampton City Council
Dawn Baxendale		☐		Chief Executive – Southampton City Council
Andy Lowe		☐		Head of Finance – Southampton City Council
Richard Croucher		☐		Lead Business Partner – Hampshire Constabulary
Councillor McIntosh			☐	Chairman of Governance & Scrutiny Committees – Hampshire Fire & Rescue Service
Councillor Williams			☐	Chairman of Governance & Audit Committee – East Hampshire District Council
Councillor Smith			☐	Chairman of Governance & Audit Committee Havant Borough Council
Councillor Perry			☐	Councillor – Havant Borough Council
Jane Eaton		☐		Executive Head of Governance & Logistics – East Hampshire District Council / Havant Borough Council
Kevin Gardner		☐		Chief Executive – Office Police & Crime Commissioner
Total	3	9	8	

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NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE & AUDIT COMMITTEE

2 December 2015

Quarterly Update on Corporate Risks from the Executive Board

Report by Cheryl Lincoln, Governance and Information Manager

FOR NOTING

Cabinet Lead for Governance & Logistics

Key Decision: No

1.0 Purpose of Report

- 1.0 Risk is a part of life and of business. If the Council avoided risk it would not be able to deliver its services or achieve its ambitions outlined in the Corporate Strategy. Risk management is a way of understanding, evaluating and mitigating risks to ensure we can achieve the Council's objectives.
- A 'risk' is a specific thing that might cause harm to the business
 - 'Risk management' is a good governance process to understand the threats to the business and put in place processes and actions that will bring greater safety and reduce risk
 - Inclusion of a risk on the risk register does not mean that managers believe that the risk will happen
 - The entry on the risk register will include an assessment of (a) the likelihood and (b) the impact of a risk, as well as the actions and processes in place to reduce both risk and impact
- 1.1 Efficient organisations have clear frameworks and processes led from Board level. The Council's Constitution names the Governance & Audit Committee as the Councillor board responsible for managing risk.
- 1.2 The details of how the Council manages risk are outlined in the statement of arrangements for managing risk. The Governance & Audit Committee reviews this statement every year in June. In their role as the Councillor body overseeing the way Council officers manage risk the Governance & Audit Committee reviews the highest risks remaining in the Council after each management meeting.
- 1.3 This report gives the Committee an update on the highest corporate risks reviewed by the Joint Executive Board in November 2015

NON EXEMPT

2.0 Recommendation

2.1 The Committee notes the most serious corporate risks reviewed by the Joint Executive Board on 10 November 2015.

3.0 Summary

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

4.0 Subject of Report

4.1 To oversee the effectiveness of risk management the Governance & Audit Committee note the most important risks facing the Council at the last quarterly review of the risk registers by the Executive Board. The last quarterly review was on 10 November 2015.

4.2 There are several risks showing red on our corporate risk register after mitigation. The risks and the reasons are as follows:

- Contractual Arrangements and External Competition – Work is currently underway on re-letting the revenues, benefits and customer services contract, held by Capita. In addition Cabinet added in December 2014 and July 2015 new areas to the market testing including Finance, IT, facilities management, human resources and property. The contract let will achieve greater gains but also includes higher risks because it is being let as a joint procurement with a group of district councils to try and achieve greater savings.

In addition work continues on the business case to transfer services currently supplied from the depot to a Joint Venture and start date will now be 1 April 2016

As these projects proceed the risk remains very high until such time as the contracts are let/signed.

- Manpower/Resources – With the Senior Management Resourcing review there is a risk of losing key staff during the reorganisation. In addition the Legal Team are understaffed due to a number of resignations and the loss of key legal staff will have an impact the organisation until such time as the recruitment drives have been completed. Whilst this remains red the Resourcing review is due to be completed early 2016 and the recruitment campaign for legal services (Head of Legal Services and Assistant Solicitor) is currently underway.
- Welfare Reform & Changes to National Affordable Housing Policy – This a new risk added in July. It is anticipated there will be a reduction in the benefits cap and further national changes to the benefits and affordable housing policy. The Housing, Revenues and Benefits teams are reviewing the impact of the legislation to date and will be reporting to JEB in December. However, the recent House of Lords has increased uncertainty about the implementation and until such time as the impact is known and mitigation in place this will remain a high risk to the organisation.

NON EXEMPT

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

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.

Background Papers:

None

NON EXEMPT

Agreed and signed off by:

Legal Services: 17th November 2015

Executive Head of Governance & Logistics: 17th November 2015

Relevant Executive Head: 17th November 2015

Cabinet Lead: 20th November 2015

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