

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

03 March 2015

INTERNAL AUDIT PROGRESS REPORT 2014 - 15 (January 2015)

Head of Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Portfolio: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

1.0 Purpose of Report

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

2.0 Recommendation

2.1 That the Governance and Audit Committee note the Internal Audit Progress Report (January 2015) as attached.

3.0 Summary

3.1 Under the Accounts and Audit (England) Regulations 2011, the Council is responsible for:

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

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

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

3.3 Appendix 1 summarises the performance of internal audit for 2014 - 15.

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 2011.

4.3 Strategy:

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

4.4 Risks:

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

4.5 Communications:

None directly from this report.

4.6 Customers and Community:

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

4.7 Integrated Impact Assessment (IIA):

N/A

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 3 February 2015.

Appendices:

Appendix 1 – Internal Audit Progress Report (January 2015)

Agreed and signed off by:

Legal Services: Jo Barden-Hernandez – 3 February 2015.

Finance: Jane Eaton – 3 February 2015.

Executive Head of Governance & Logistics: Jane Eaton – 3 February 2015.

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

January 2015

Havant Borough Council

Havant
BOROUGH COUNCIL

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2011, which states that a relevant body must:

‘Undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards].

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

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

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

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

2. Purpose of report

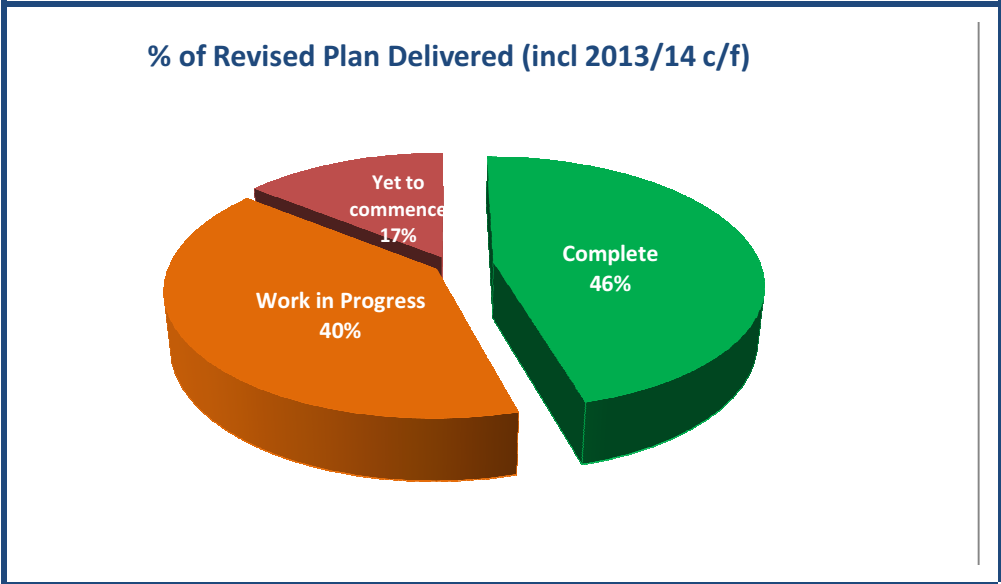
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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



Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>During 2013 – 14 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN. To provide independence to the process the self–assessment was reviewed by Hampshire County Council’s Monitoring Officer to ensure it presented a true and fair view.</p> <p>Independent analysis confirmed that the self-assessment provided ‘<i>a fair assessment of the internal audit activity</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	E&NQ	Adequate	Adequate	5 (1)	3 (1)		2 (0)
Lease income	16/12/13	G&L	Adequate	Adequate	7 (0)	5 (0)		2 (0)
Accounts payable	06/01/14	G&L	Adequate	Adequate	1 (0)		1 (0)	
Payroll	31/01/14	G&L	Adequate	Adequate	3 (0)	2 (0)		1 (0)
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	20/02/14	G&L	Substantial	Substantial	1 (0)			1 (0)
Partnership management	22/04/14	E&NQ	Limited	Adequate	6 (1)	4 (1)		2 (0)
Health and Safety at work	02/05/14	G&L	Adequate	Adequate	5 (0)	4 (0)		1 (0)
Asset Acquisition Strategy	13/05/14	G&L	Adequate	Adequate	2 (0)	1 (0)		1 (0)
Computer Audit - Modern Gov	09/06/14	M&D	Adequate	Adequate	5 (0)	5 (0)		
Performance Management Systems	30/06/14	M&D	Adequate	Adequate	5 (5)		5 (5)	
Planning Development Fee Income	01/07/14	P&BE	Adequate	Adequate	4 (0)	2 (0)	2 (0)	
Finance - Budgetary Control	13/08/14	G&L	Adequate	Adequate	2 (0)		1 (0)	1 (0)

Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Capital Purchases	19/08/14	G&L	Adequate	Adequate	2 (0)		2 (0)	
Information Management	06/10/14	G&L	Adequate	Adequate	5 (0)		4 (0)	1 (0)
Licensing	10/10/14	E&NQ	Adequate	Adequate	3 (2)		1 (1)	2 (1)
Business Continuity Planning	17/10/14	G&L	Adequate	Adequate	3 (0)		1 (0)	2 (0)
Fuel Management	27/10/14	E&NQ	Adequate	Adequate	14 (0)	6 (0)	5 (0)	3 (0)
Project Management	05/11/14	M&D	Adequate	Adequate	6 (0)	3 (0)	3 (0)	
Developers Contributions and Obligations	21/01/15	E&NQ	Adequate	Adequate	8 (0)	1 (0)	7 (0)	

Audit Sponsor	
Executive Head Marketing and Development	M&D
Executive Head Governance and Logistics	G&L
Executive Head Environment and Neighbourhood Quality	E&NQ
Executive Head Planning and Built Environment	P&BE
Executive Head Economy and Communities	E&C

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

There have been no new reports with limited or no assurance opinions.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2014 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2014 Part 2 Requirements - Fraud	01.04.14 – 31.12.14
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	3 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	20 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.'

Fraud Grant Funding

The DCLG have made available £16m to assist Councils in developing innovative and holistic initiatives to tackle the fight against fraud.

During the summer local authorities were invited to submit proposals for funding that would result in real financial savings through effective counter fraud activities. A successful bid from the Southern Internal Audit Partnership (one of only 59 approved from 164 applications) has resulted in funding of £72,000 being awarded to support initiatives in respect of fraud detection and prevention.

Funding acquired will contribute to the development of a generic fraud risk assessment framework to inform and educate of key fraud risks. This assessment will inform a programme of proactive fraud initiatives moving forward, targeting demonstrably high risk areas.

This will be supported by the use of data analytics to more strategically analyse higher risk areas in the identification and investigation of data giving rise to irregular activity or conflicts with other sources of information.

The legacy from funding will strengthen measures for both fraud detection and prevention through provision of a clear understanding and assessment of fraud threats and the establishment of data analytics as preventative measures to combat fraud through the real time sharing and matching of data and fraud intelligence.

7. Planning & Resourcing

The internal audit plan for 2014-15 was prepared following meetings with the Executive Heads and Service Managers and was presented to the Executive Board on 04 February 2014 and the Governance and Audit Committee on 05 March 2014. 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				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
2013-14 Carry Forward Reviews					
Business Continuity Planning	✓	✓	✓	✓	17/10/14
Performance Management Systems	✓	✓	✓	✓	30/06/14
Risk management	✓	✓	✓	✓	27/05/14
Benefits	✓	✓	✓	✓	02/07/14
Capital Purchases	✓	✓	✓	✓	19/08/14
Finance - Budgetary Control	✓	✓	✓	✓	13/08/14
Mod Gov	✓	✓	✓	✓	09/06/14
2014—15 Reviews					
Corporate Cross Cutting					
Information management	✓	✓	✓	✓	06/10/14

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
HR					
NFI (National Fraud Initiative)	n/a	✓	n/a	n/a	n/a
Project Management	✓	✓	✓	✓	05/11/14
Corporate Governance					
Code of Conduct					
Review of Annual Governance Statement	✓	✓	✓	✓	03/09/14
Proactive fraud initiatives	n/a	✓			
Annual review of effectiveness of Internal Audit	✓	✓	✓	✓	17/06/14
Financial Management					
Parking	✓	✓	✓	✓	
Finance – Payroll	✓	✓	✓	✓	
Income collection and banking					

Audit title	Audit Progress					Final report issued
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
Council tax	✓	✓				
Accounts receivable / Debt management	✓	✓	✓			
Treasury management	✓	✓	✓	✓		
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	✓	✓	✓			
Information Technology						
Computer implementations (Finance)						Advice role
ICT policies and security	✓	✓				
ICT contract	✓	✓				
ICT hosted services	✓	✓				
Corporate objectives						
Depot Services	✓	✓				
Fuel Management	✓	✓	✓	✓		27/10/14

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Crematorium Partnership					
Impact of Welfare Reform	✓	✓	✓	✓	05/11/14
Beach Huts	✓	✓	✓	✓	
Building control					
Planning development – Fee income	✓	✓	✓	✓	30/06/14
Licensing	✓	✓	✓	✓	10/10/14
Developers obligations and contributions	✓	✓	✓	✓	21/01/15