

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

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Internal Audit Progress Report

October 2015

Havant Borough Council

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**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:

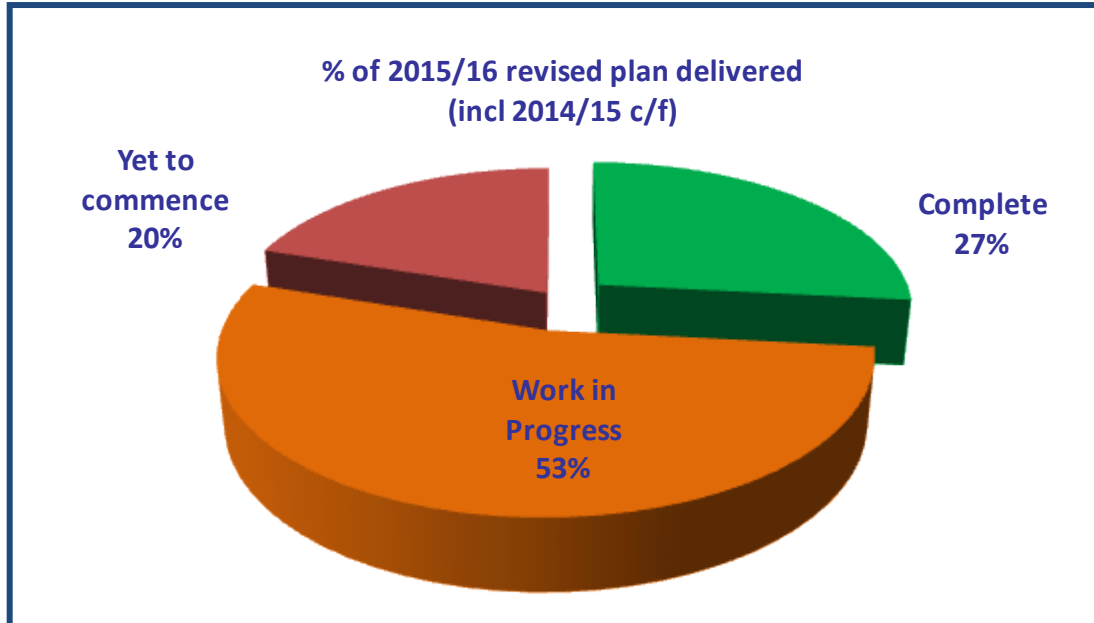
Substantial A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.

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



Compliance with Public Sector Internal Audit Standards / Local Government Application Note (LAGN)



An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:

*'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to **all** of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN). 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.'*


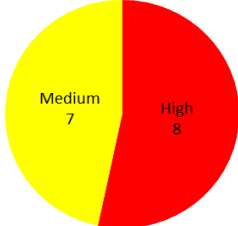
4. Status of 'Live' Reports

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

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> <div style="text-align: center;">  <p>Limited</p> </div>	<p>Management Actions:</p> <div style="text-align: center;">  <p>Medium 7 High 8</p> </div>
<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						