

**Internal Audit Progress Report**

**January 2016**

**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 2015, which states that a relevant body must:

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

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards 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

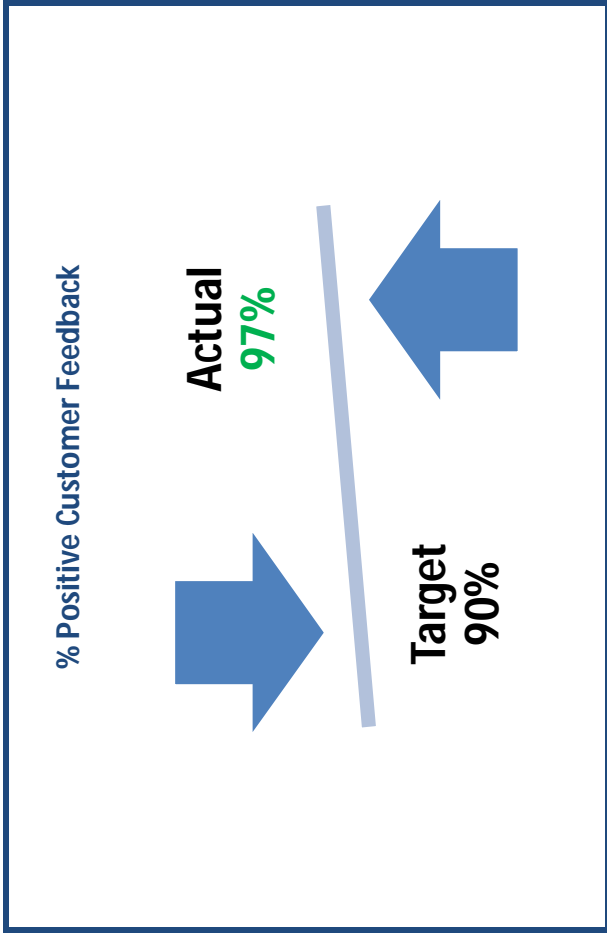
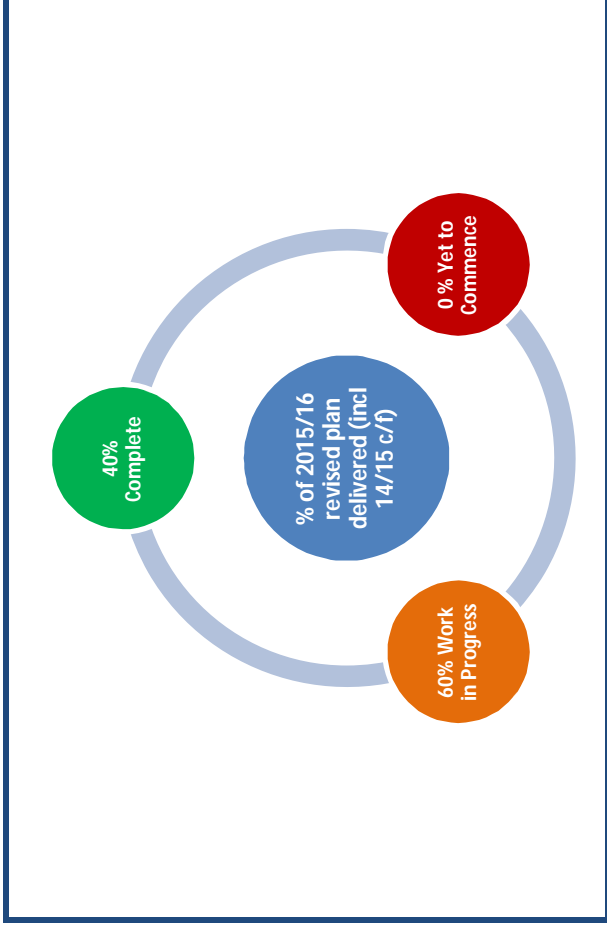
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

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

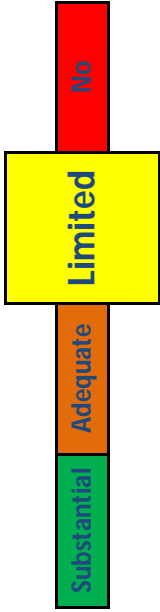
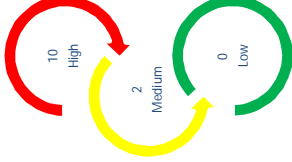
## 4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Lease income	16/12/13	G&L	Adequate	7 (0)	0 (0)	0 (0)	7 (0)	0 (0)
Accounts payable	06/01/14	G&L	Adequate	1 (0)	0 (0)	0 (0)	1 (0)	0 (0)
Partnership management	22/04/14	C	Limited	6 (1)	0 (0)	0 (0)	6 (1)	0 (0)
Planning Development Fee Income	01/07/14	E&P	Adequate	4 (0)	0 (0)	0 (0)	4 (0)	0 (0)
Finance - Budgetary Control	13/08/14	G&L	Adequate	2 (0)	0 (0)	1 (0)	1 (0)	0 (0)
Information Management	06/10/14	G&L	Adequate	5 (0)	0 (0)	0 (0)	5 (0)	0 (0)
Fuel Management	27/10/14	ES	Adequate	14 (0)	0 (0)	0 (0)	13 (0)	1 (0)
Developers Contributions and Obligations	21/01/15	E&P	Adequate	8 (0)	0 (0)	0 (0)	8 (0)	0 (0)
Beach Huts	29/04/15	ES	Adequate	3 (0)	0 (0)	0 (0)	2 (0)	1 (0)
IT Security Protocol	27/05/15	M&D	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
IT Partnership Agreement	27/05/15	M&D	Adequate	5 (0)	0 (0)	1 (0)	4 (0)	0 (0)
Council Tax	17/06/15	G&L	Adequate	2 (0)	0 (0)	1 (0)	1 (0)	0 (0)
Building Control	17/06/15	E&P	Adequate	6 (0)	0 (0)	0 (0)	6 (0)	0 (0)
Depot Services (Stock Control)	26/08/15	ES	Limited	16 (2)	0 (0)	1 (0)	15 (2)	0 (0)
Code of Conduct	01/09/15	G&L	Adequate	5 (1)	0 (0)	0 (0)	5 (1)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions (‘High Priority’)				
				Reported	Not Accepted	Pending	Cleared	Overdue
Land Charges	04/09/15	E&P	Adequate	2 (1)	0 (0)	0 (0)	1 (1)	1 (0)
Human Resources	07/10/15	G&L	Limited	15 (8)	0 (0)	1 (0)	14 (8)	0 (0)
<b>Procurement – Operational Services</b>	<b>11/12/15</b>	<b>ES</b>	<b>Limited</b>	<b>12 (10)</b>	<b>0 (0)</b>	<b>0 (0)</b>	<b>12 (10)</b>	<b>0 (0)</b>
Broadmarsh – Coastal Revetment Sea Defence Works	23/11/15	E&C	Adequate	11 (2)	0 (0)	7 (0)	4 (2)	0 (0)

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

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

<p><b>Procurement – Operational Services</b></p>	<p><b>Audit Sponsor:</b> Steve Perkins - Executive Head (Environmental Services)</p> <p><b>Key Contacts:</b> Peter Vince – Operational Services Manager, Paul Stanley – Transport Fleet Operations Team Leader</p> <p><b>Final Report Issued:</b> 11/12/2015</p>	<p><b>Assurance opinion:</b></p> 	<p><b>Management Actions:</b></p> 
<p><b>Summary of key observations:</b></p> <p>We reviewed Contract Procedure Rules (CPR) during the audit and confirmed that most procurement complied with CPR. However, based upon the planned Capital Programme, we noted that aggregation rules had been breached and an EU tendering exercise should have been undertaken for the acquisition of plant and vehicles. At the time of the review, the capital programme (2014/15 £356k; 2015/16 £628k and 2016/17 £725k) indicated there was a defined anticipation of need, which should have been used to aggregate purchases, that exceeded the EU threshold for supplies and services (£172,514 from 1 January 2014. We also considered that aggregating purchases could potentially achieve better prices than the piecemeal approach to purchasing that had been adopted.</p> <p>We carried out an analysis of revenue purchasing data over the past four years, and checked to existing contracts and framework agreements. We found that there are few formally documented contracts in place. The level of purchasing is such that more formal arrangements would be expected, especially with regard the use of employment agencies, where Operational Services are a major purchaser within the context of the Authority’s overall spend. For the latest full year of expenditure (14/15), over £398k was spent by Operational Services with employment agencies, breaching the EU procurement threshold.</p> <p>As part of our testing of capital purchases we were informed that there have been operational issues with the ten 3.5 Tonne cage tipper trucks which were added to the fleet over the period December 2008 to March 2014. However, there was insufficient evidence retained to demonstrate whether there was adequate specification to meet the requirements such as consultation with service users, whole life costings and market research. We are therefore unable to provide assurances that there is a robust process for developing such specifications.</p> <p><b>NB all management actions resulting from this review have been implemented. Management have minimised the risk of recurrence of the issues raised.</b></p>			



## 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	01.04.15 – 31.01.16
<b>Part 2 Requirements - Fraud</b>	
<b>Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used</b>	Nil
<b>Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud</b>	2 fte*
<b>Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists</b>	4 fte*
<b>Total amount of time spent by the authority on the investigation and prosecution of fraud</b>	4 days
<b>Total number of fraud cases investigated</b>	0**

\*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers 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 approved by the Executive Board on 03 February 2015 and the Governance and Audit Committee on 03 March 2015.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 8.

## 8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
<b>2014-15 Carry Forward Reviews</b>									
HR	G&L	✓	✓	✓	✓	07/10/15	Limited	✓	
Code of Conduct	G&L	✓	✓	✓	✓	01/09/15	Adequate	✓	
Depot Services (Stock Control)	ES	✓	✓	✓	✓	26/08/15	Limited	✓	
<b>2015-16 Reviews</b>									
<b>Corporate cross cutting</b>									
Asset Management	G&L	✓						✓	
Contract Management	G&L	✓	✓	✓				✗	Delay due to new system implementation
Strategic planning	G&L	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule P= Delay)	Comment
Performance Management	M&D	✓	✓					✓	
Procurement – Operational Services	ES	✓	✓	✓	✓	11/12/15	Limited	✓	
Procurement	G&L	✓	✓					✓	
<b>Corporate governance</b>									
Proactive Fraud Initiatives	G&L	✓	n/a	✓				✓	
Annual Governance Statement	G&L	✓	✓	✓	✓	13/08/15	Substantial	✓	
Local Government Transparency Code 2014	G&L	✓	✓	✓	✓			P=	Draft report delayed due to SIAP staff absence
National Fraud Initiative (NFI)	G&L	n/a	n/a	✓				✓	
Decision Making and Accountability	G&L	✓	✓	✓	✓	16/09/15	Substantial	✓	
<b>Financial management</b>									
Accounts payable	G&L	✓	✓	✓				✓	
Accounts Receivable / Debt management	G&L	✓	✓	✓				✓	
Financial planning / Budgetary control	G&L	✓	✓	✓				✓	
Main accounting	G&L	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule P= Delay)	Comment
National Non-Domestic Rates (NINDR)	G&L	✓	✓	✓	✓			✓	
Standing Conference of Problems Associated with the Coastline Accounts (SCOPAC)	G&L	✓	✓	✓	✓			✓	
<b>Information technology</b>									
New IT Applications / Finance System Access Controls	M&D	✓	✓					✓	
ICT Hosted Services	M&D	✓	✓	✓				✓	
Computer implementations (Finance)	M&D								Advice role
<b>Corporate objectives</b>									
Disabled facilities grants	M&D	✓	✓	✓	✓	14/10/15	Adequate	✓	
Insurance	G&L	✓	✓	✓				P=	Delay due to SIAP availability
Land charges	E&P	✓	✓	✓	✓	04/09/15	Adequate	✓	
Licencing	M&D	✓	✓	✓	✓	12/08/15	Adequate	✓	
Broadmarsh – Coastal Revetment Sea Defence Works	E&C	✓	✓	✓	✓	23/11/15	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule / ✗ Delay)	Comment
Thematic Review / smaller services	E&C	✓						✓	
Grant certification – Disabled facilities grant	M&D	n/a	n/a	✓	n/a	31/07/15	n/a – grant certification	✓	
Grant certification – Repair and renew grant	G&L	n/a	n/a	✓	n/a			✓	