

Internal Audit Progress Report

February 2018

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 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 [the Standards - updated 2017].

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

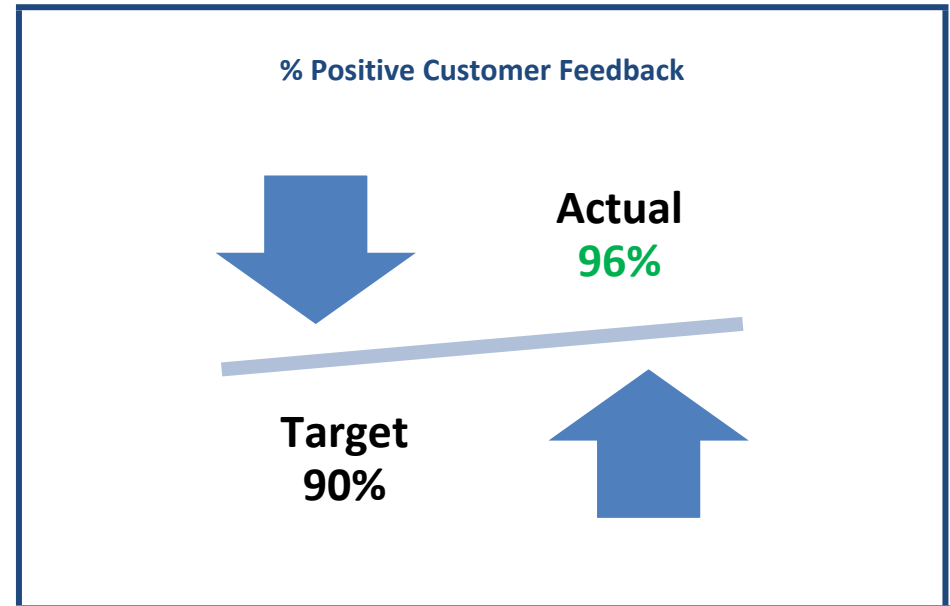
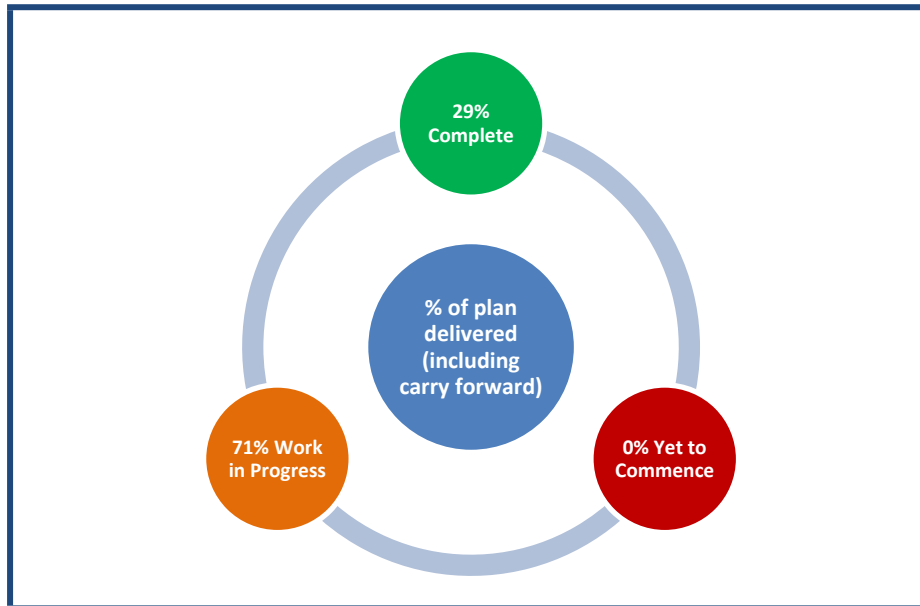
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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



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).*

In accordance with PSIAS, a further self assessment was completed in April 2017 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Insurance	01/04/16	HoF	Adequate	2 (0)	0 (0)	0 (0)	1 (0)	1 (0)
Local Government Transparency Code 2015	06/05/16	HoF	Adequate	7 (3)	0 (0)	3 (1)	4 (2)	0 (0)
Procurement	13/10/16	HoPRQ	Adequate	5 (3)	0 (0)	0 (0)	3 (3)	2 (0)
Accounts Payable	11/01/17	HoF	Adequate	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
Business Continuity Planning / Disaster Recovery	30/01/17	HoOD	Adequate	9 (1)	0 (0)	1 (1)	5 (0)	2 (0)
Health and Safety	06/03/17	HoOD	Adequate	4 (0)	0 (0)	1 (0)	3 (0)	0 (0)
Information Governance	26/04/17	HoPRQ	Limited	19 (7)	0 (0)	8 (0)	11 (7)	0 (0)
Main Accounting	27/04/17	HoF	Substantial	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)
Developers Obligations and Contributions / Community Infrastructure Levy (CIL)	15/06/17	HoP	Adequate	9 (5)	0 (0)	1 (0)	6 (5)	2 (0)
Norse South East – Governance Arrangements	19/06/17	HoSC	Adequate	3 (0)	0 (0)	1 (0)	2 (0)	0 (0)
Risk Management	26/06/17	HoCS	Adequate	3 (0)	0 (0)	1 (0)	0 (0)	2 (0)
Proactive Fraud Initiatives (Mobile Devices)	12/12/17	HoPRQ	Adequate	6 (0)	0 (0)	6 (0)	0 (0)	0 (0)

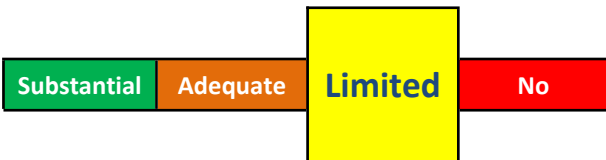
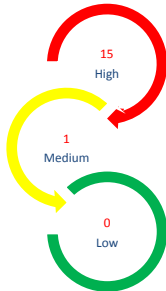
Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
NNDR	08/01/18	HoCS	Adequate	2 (0)	0 (0)	0 (0)	0 (0)	2 (0)
Governance Arrangements (6 Council Transition)	24/01/18	HoSC	Limited	16 (15)	0 (0)	2 (1)	14 (14)	0 (0)

*denotes audits where all actions have been completed since the last progress report

Audit Sponsor	
Head of Organisational Development	HoOD
Head of Customer Services	HoCS
Head of Finance	HoF
Head of Programmes, Redesign and Quality	HoPRQ
Head of Research and Marketing	HoRM
Head of Planning	HoP
Head of Neighbourhood Support	HoNS
Head of Coastal Partnership	HoCP

Audit Sponsor	
Head of Development	HoD
Head of Strategic Commissioning	HoSC
Head of Property Services	HoPS

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

Governance Arrangements (Six Council Transition)		
<p>Directorate Sponsor: Gill Kneller – Executive Director (Commercial)</p> <p>Key Contacts: Claire Hughes - Head of Strategic Commissioning</p> <p>Final Report Issued: 24/01/2018</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations: A governance framework to oversee the transition to Capita was agreed in May 2017 following recognition that the existing framework, whilst sufficient to oversee the wider six council’s programme did not give appropriate oversight and management for the internal preparation work that needed to be done for transition of Havant Borough Council (HBC) and East Hampshire District Council (EHDC) services. However, it had not had time to fully embed and was introduced late in the programme timeline.</p>		

The new framework introduced oversight arrangements, in the form of a programme board, outlined reporting lines and roles and responsibilities for the board (but not for individual project management) and provided templates for programme documentation. The new framework required some improvement, particularly in relation to the transparency of key decisions through the introduction of a decision log.

Transformation Project Managers had been assigned to each project to assist with delivery and, at the time of the review, had been engaged in helping to identify gaps in the contract provision rather than planning for transition and managing projects.

We reviewed how the framework was operating in practice and found some key opportunities for improvement. The format of the information that was gathered from projects and presented to Programme Board lacked the clarity and timeliness required to enable the Board to have a complete and accurate view of the status of all aspects of the programme and to make fully informed decisions. Delays were found in assessing emerging risks and deciding which need to be reviewed by the Programme Board. The timescales of the programme are such that actions to address concerns should be put in place quickly.

A clear action plan was developed to address the issues identified. Significant progress has already been made with the majority of actions already implemented; the target date to complete residual actions is March 2018. A follow up review has been included in the proposed annual audit plan for 2018-19.

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	01.04.17 – 31.01.18
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	23 days***
Total number of fraud cases investigated	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.'*

***relates to SIAP staff only and includes time spent on proactive fraud initiatives to identify or prevent potential fraud that may not result in a formal investigation or prosecution.

7. Planning & Resourcing

The internal audit plan for 2017-18 was discussed by the Executive Board on 02 February 2017 and approved by the Governance and Audit Committee on 08 March 2017.

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
2017-18 Reviews									
Six Council Partnership									
Governance Arrangements (6 Council Transition)*1	HoSC	✓	✓	✓	✓	✓	Limited	✓	
Performance Management *1	HoPRQ	✓	✓	✓				✓	
Human Resources *1	HoOD	✓	✓	✓				✓	
Six Council Partnership – Core Financial Systems (Migrating Systems)									
Accounts Payable *1	HoF	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Accounts Receivable / Debt Management *1	HoF	✓	✓	✓				✓	
Main Accounting *1	HoF	✓	✓	✓				✓	
Treasury Management *1	HoF	✓	✓	✓				✓	
Payroll *1	HoF	✓	✓	✓				✓	
Management Reporting *1	HoF	✓	✓	✓				✓	
Financial Service Transfer (CAPITA)*	HoF	✓	✓	✓	n/a	n/a	n/a	✓	Advisory role
Finance System Data Migration*	HoF	✓	✓	✓				✓	
Six Council Partnership – Core Financial Systems (Business as usual)									
Income Collection and Banking	HoCS	✓	✓	✓				✓	
Council Tax	HoCS	✓	✓	✓				✓	
NNDR	HoCS	✓	✓	✓	✓	✓	Adequate	✓	
Six Council Partnership - ICT									

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
ICT Provider Transfer *1	HoPRQ	✓	✓	✓				✓	
Strategic Objectives									
Strategic Planning	HoOD	✓	✓	✓	✓			✓	
Commercial Property Investments	HoPS	✓	✓	✓				✓	
New Homes Bonus	HoP	✓	✓	✓				✓	
Corporate governance									
CIPFA/Tecaff Fraud Survey	HoF	✓	n/a	✓	n/a	✓	n/a	✓	
Proactive Fraud Initiatives (Mobile Devices)	HoF	✓	N/A	✓	✓	✓	Adequate	✓	
Proactive Fraud Initiatives (Training)	HoF	✓	N/A	✓	n/a	n/a	n/a	✓	
National Fraud Initiative (NFI)	HoF	N/A	N/A	✓				✓	
Information Governance	HoPRQ	✓	✓	✓				✓	
Business As Usual									
Planning Development / Fee Income	HoP	✓	✓	✓	✓	✓	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Norse South East – Governance and Performance	HoSC	✓	✓	✓				✓	
Norse South East – Assurance Mapping	HoSC	✓	n/a	n/a				✓	
Norse South East – Business Continuity	HoSC	✓	✓	✓				✓	
BSOG – Grant Certification	HOF	n/a	n/a	✓	n/a	n/a	n/a – grant certification	✓	

*1 - Reviews related to the Six Council Partnership that will cover HBC and EHDC, which are included in both Councils' audit plans.