

Internal Audit Progress Report (September 2020)

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 [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’.

Havant Borough 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.

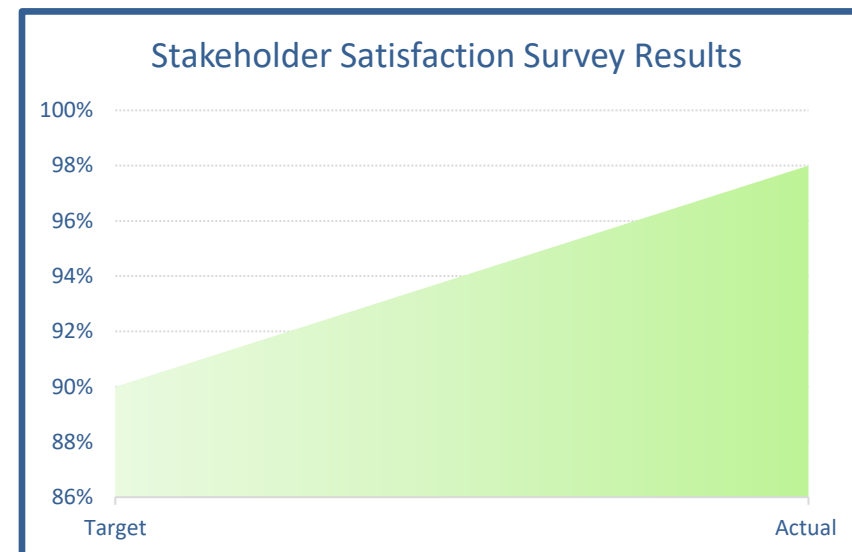
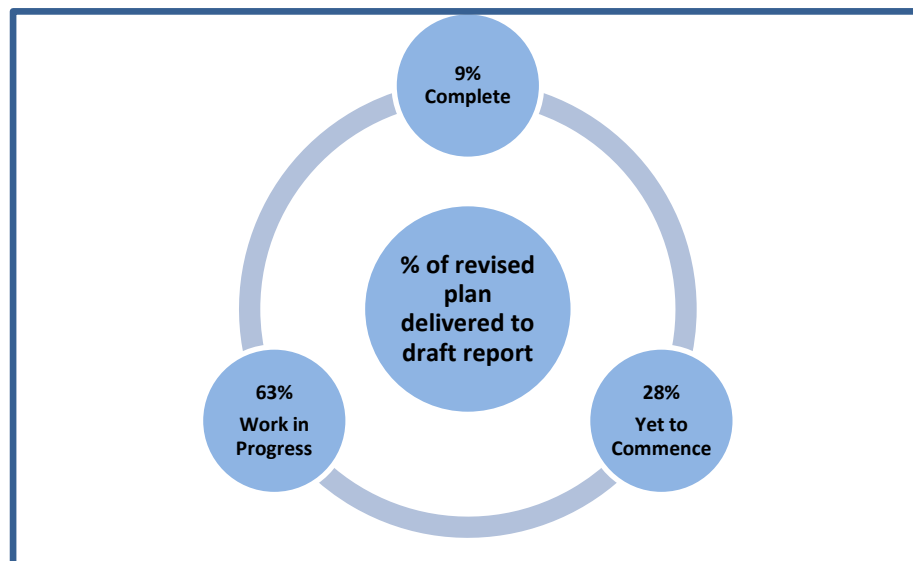
Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review.

CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use. To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020-21 work and moving forwards. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 2*

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Benefits*	Feb 19	HoCS	Adequate	3	0	0	3			
Information Governance	May 19	HoPRQ	Adequate	12	0	0	7	3	2	
Procurement	May 19	HoSC	Adequate	8	0	5	3			
Private Sector Housing*	Jul 19	HoNS	Adequate	4	0	0	4			
Developers Contributions*	Aug 19	SD (RP)	Adequate	2	0	0	2			
Food Safety	Nov 19	HoNS	Limited	10	0	0	8	1	1	
Neighbourhood Quality (Fly Tipping)*	Dec 19	HoNS	Limited	13	0	0	13			
Income Collection	Feb 20	CFO	Adequate	1	0	0	0		1	
Health and Safety*	Apr 20	HoOD	Adequate	5	0	0	5			
Payroll*	Apr 20	CFO	Adequate	3	0	0	3			
Treasury Management	May 20	CFO	No	10	0	1	9			
Human Resources*	May 20	HoOD	Limited	12	0	0	12			
Animal Welfare (Licensing)	May 20	HoNS	Limited	14	0	0	7	2	4	1
Lease Income	May 20	HoNS	Limited	14	0	8	6			
IT Asset Management	Jun 20	HoPRQ	Adequate	6	0	4	2			
Licensing	Jun 20	HoNS	Adequate	6	0	4	1			1
Reconciliations*	Jun 20	CFO	Adequate	1	0	0	1			
Information Governance	Jun 20	HoPRQ	Limited	8	0	2	6			
Norse – Governance Arrangements	Jun 20	HoSC	Adequate	4	0	3	1			
Total								6	8	2

* 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
Chief Finance Officer and Director of Corporate Services	CFO
Head of Programmes, Redesign and Quality	HoPRQ
Head of Development	HoD
Head of Strategic Commissioning	HoSC
Head of Neighbourhood Support	HoNS
Head of Regeneration	HoR
Service Director (Regeneration and Place)	SD (RP)
Head of Commercial Development	HoCD

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

There have been no 'Limited' or 'No' assurance opinion reports issued as part of the 2020-21 audit work.

6. Planning & Resourcing

The internal audit plan for 2020-21 was discussed by the Executive Board on 25 February 2020 and approved by the Governance, Audit and Finance Board on 29 July 2020.

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 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2019-20								
Accounts Payable	CFO	✓	✓	✓	Apr 20		Adequate	2019-20 Opinion
Accounts Receivable / Debt Management	CFO	✓	✓	✓	Jun 20		Limited	2019-20 Opinion
2020-21								
Corporate /Governance Reviews								
Asset Management	SD (RP)							Q4
Performance Management	HoPRQ	✓	✓	✓				
Project / Programme Management	HoPRQ							Q4
Partnership Management (Five Councils)	HoSC	✓	✓	✓				
Norse South East - Governance	HoSC	✓						
Contract Management Arrangements	HoSC	✓						Q4
Financial Stability	CFO	✓						
National Fraud Initiative (NFI)	CFO	n/a	n/a	✓				Q1-4
CIPFA Fraud Survey	CFO	n/a	n/a	✓				
Information Governance *	HoPRQ	✓	✓	✓				Follow-up
Human Resources								

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Human Resources / Recruitment	HoOD	✓	✓	✓				
Workforce Development / Organisational Design Review	HoOD							Q4
Financial Management								
Business Rates	HoCS	✓	✓	✓				
Income Collection and Banking	CFO	✓						
Accounts Payable	CFO	✓						Q4
Accounts Receivable / Debt Management	CFO							Q4
Main Accounting and Reconciliations	CFO	✓						
Treasury Management	CFO	✓	✓	✓				Q4
Payroll	HoOD							Q4
Lease Income *	HoNS							Q4 Follow-up
Information Technology								
Computer Implementations	HoPRQ	✓	✓	✓	Aug 20			
IT Security Governance	HoPRQ	✓	✓	✓				
IT Risk Management	HoPRQ	✓	✓	✓				
Hosted ICT Services	HoPRQ							Q4
Cyber Attack Response Pathway	HoPRQ	✓	✓	✓				
Service / Other Reviews								
Regeneration	SD (RP)							Q4
Building Control	SD (RP)	✓						
Neighbourhood Quality (Fly Tipping) *	HoNS	✓	✓	✓				Follow-up
Food Safety *	HoNS	✓						Follow-up
Licensing (Animal Welfare) *	HoNS	✓						Follow-up

* Denotes plan additions

Annexe 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	
Information Governance *	Follow-up of 19.20 limited assurance opinion audit.
Neighbourhood Quality (Fly Tipping) *	Follow-up of 19.20 limited assurance opinion audit.
Food Safety *	Follow-up of 19.20 limited assurance opinion audit.
Licensing (Animal Welfare) *	Follow-up of 19.20 limited assurance opinion audit.
Lease Income *	Follow-up of 19.20 limited assurance opinion audit.

Proposed December 2020 *

Audit reviews removed from the plan (excluded from rolling work programme)	
Service Continuity Planning (Loss of IT) *	Service and IT Business Continuity Plans are being refreshed in light of COVID-19. Defer the review until 21.22 to enable completion of the refresh/for the plans to become embedded.

Proposed December 2020*

Annexe 2 - Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions

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.