Internal Audit Progress Report 2021-22

July 2021

Havant Borough Council

Contents:

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:
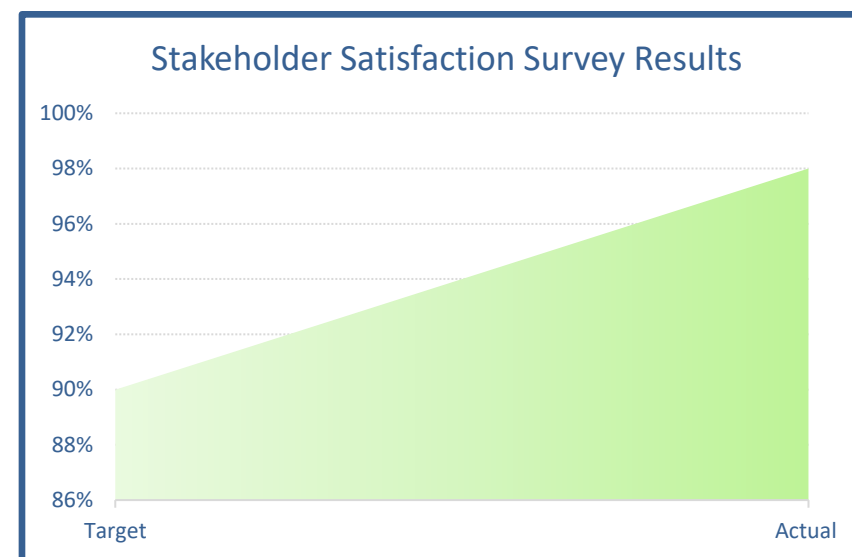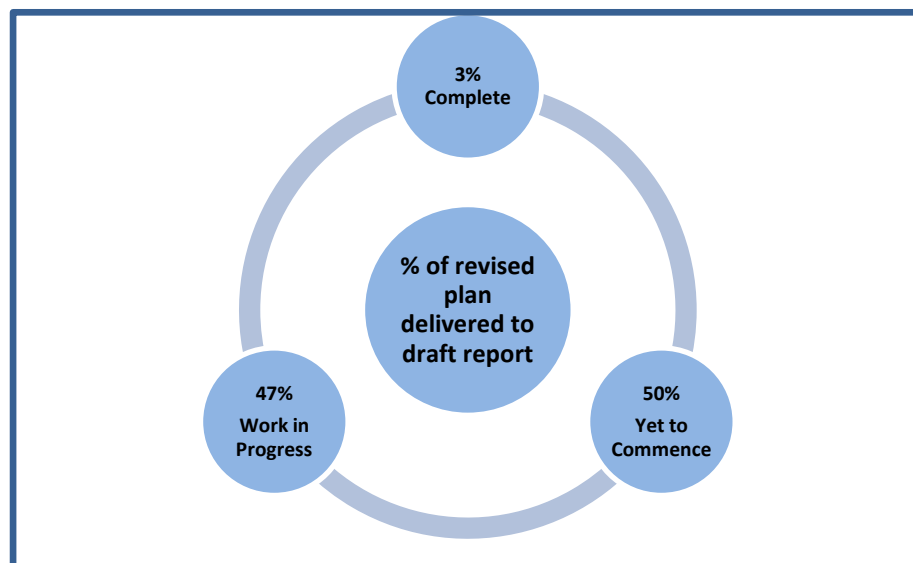
- The status of 'live' internal audit reports;

- 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. 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

% of revised plan delivered to draft report

- 3% Complete
- 47% Work in Progress
- 50% Yet to Commence

Stakeholder Satisfaction Survey Results

Target — Actual

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 International Professional Practices Framework (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 Yet Due	Complete	Overdue		
							L	M	H
Information Governance *	**May 19**	**HoPRQ**	**Adequate ****	**12**	**0**	**12**			
Food Safety	Nov 19	HoNS	Limited **	10	0	8	1	1	
Neighbourhood Quality (Fly Tipping) *	**Dec 19**	**HoNS**	**Limited ****	**13**	**0**	**13**			
Treasury Management *	**May 20**	**CFO**	**No ****	**10**	**0**	**10**			
Animal Welfare (Licensing)	May 20	HoNS	Limited **	14	0	7	5	2	
Lease Income *	**May 20**	**HoNS**	**Limited ****	**14**	**0**	**14**			
IT Asset Management	Jun 20	HoPRQ	Adequate **	6	0	5		1	
Licensing	Jun 20	HoNS	Adequate **	6	0	4			2
Information Governance	Jun 20	HoPRQ	Limited **	8	0	7		1	
Norse – Governance Arrangements	Jun 20	HoSC	Adequate **	4	0	2			2
Human Resources *	**Jan 21**	**HoOD**	**Reasonable**	**4**	**0**	**4**			
Computer Implementations (Building Control) *	**Jan 21**	**HoPRQ**	**Reasonable**	**6**	**0**	**6**			
IT Risk Management *	**Feb 21**	**HoPRQ**	**Reasonable**	**3**	**0**	**3**			
Norse South East - Governance	Apr 21	HoSC	Reasonable	5	4	0		1	
Lease Income	Jun 21	HoNS	Reasonable	3	3	0			
IT Security Governance *	**Jun 21**	**HoPRQ**	**Reasonable**	**2**	**0**	**2**			
Project & Programme Management *	**Jun 21**	**HoPRQ**	**Reasonable**	**4**	**0**	**4**			
Building Control	Jun 21	SD (RP)	Limited	9	9	0			
Treasury Management	Sep 21	CFO	Reasonable	1	1	0			
Total							6	6	4

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

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

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
Head of Housing & Community Engagement	HoHCE

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 2021-22 audit work. The Building Control 'Limited' assurance opinion report (as shown below in section 7 of this progress report) was finalised in June 2021 however the findings were included within the 2020-21 Annual Internal Audit Report and Opinion reported to the Audit and Finance Committee in June 2021.

6. Planning & Resourcing

The internal audit plan for 2021-22 was discussed by the Executive Board on 23 February 2021 and approved by the Audit and Finance Committee on 24 March 2021.

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
Carry Forward – Included within 2020-21 Annual report and opinion								
Project / Programme Management	HoPRQ	✓	✓	✓	May 21	Jun 21	*Reasonable*	20.21 Opinion
Workforce Support – COVID-19	HoOD	✓	✓	✓	May 21	Jun 21	Substantial	20.21 Opinion
Treasury Management	CFO	✓	✓	✓	Jun 21	Sep 21	Reasonable	20.21 Opinion
Lease Income	HoNS	✓	✓	✓	Apr 21	Jun 21	Reasonable	20.21 Opinion
IT Security Governance	HoPRQ	✓	✓	✓	Mar 21	Jun 21	Reasonable	20.21 Opinion
Building Control	SD (RP)	✓	✓	✓	May 21	Jun 21	Limited	20.21 Opinion
Licensing (Animal Welfare)	HoNS	✓	✓	✓	May 21	Jun 21	n/a	n/a follow - up

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2021-22								
Corporate / Governance Reviews								
Asset Management	SD (RP)							Q3
Health & Safety	HoOD	✓	✓	✓				
Risk Management Arrangements	HoPRQ	✓	✓	✓				
Procurement Arrangements	HoSC	✓						
Contract Management Arrangements	HoSC							Q4
Fraud Framework - National Fraud Initiative (NFI)	CFO	n/a	n/a	✓				On-going
Human Resources	HoOD							Q3
Financial Management								
Financial Stability – Budget Monitoring	CFO							Q3
Income Collection and Banking	CFO							Q3
Accounts Payable	CFO							Q3
Accounts Receivable / Debt Management	CFO							Q3
Treasury Management	CFO							Q4
Business Rates	HoCS	✓	✓	✓				
Main Accounting and Reconciliations	CFO	✓	✓	✓				
Council Tax	HoCS	✓						
COVID-19 – Business Grants	CFO	✓	✓	✓				
Information Technology								
Cyber Attack Response Pathway	HoPRQ	✓	✓	✓	Mar 21			
Hosted IT Services	HoPRQ							Q4
Service Continuity Planning (Loss of IT)	HoPRQ	✓	✓					
IT Device Management	HoPRQ	✓	✓					

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
SharePoint Data Migration	HoPRQ							Q3-4
Service / Other Reviews								
Regeneration	SD (RP)	✓	✓	✓				
Planning Enforcement	HoNS	✓	✓	✓				
Disabled Facilities Grants	HoNS	✓	✓					
Homelessness	HoHCE							Q3
Planning / Development Management	SD (RP)							Q3-4
Open Spaces / Tree Management	HoNS	✓	✓					
Building Control - Follow-up *	SD (RP)							Q4
Licensing (Animal Welfare) - Follow-up *	HoNS							Q3-4
Food Safety – Follow-up *	HoNS							Q4

* Proposed plan addition – see Annex 1

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	Comment
Building Control - Follow-up *	Follow-up review for a 20-21 'Limited Assurance' audit
Licensing (Animal Welfare) - Follow-up *	Second follow-up review for a 19-20 'Limited Assurance' audit
Food Safety – Follow-up *	Follow-up review for a 19-20 'Limited Assurance' audit

Audit reviews removed from the plan (excluded from rolling work programme)	Comment

Proposed September 2021 *

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

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020-21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report that refer to SIAPs former assurance ratings which are detail below.

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.