

Internal Audit Progress Report 2021-22

March 2022

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 [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 organisation’s 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:

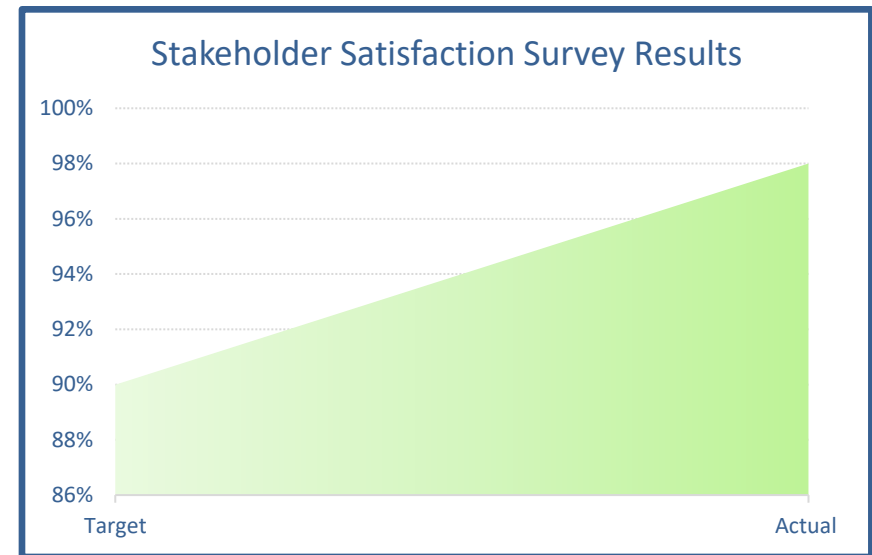
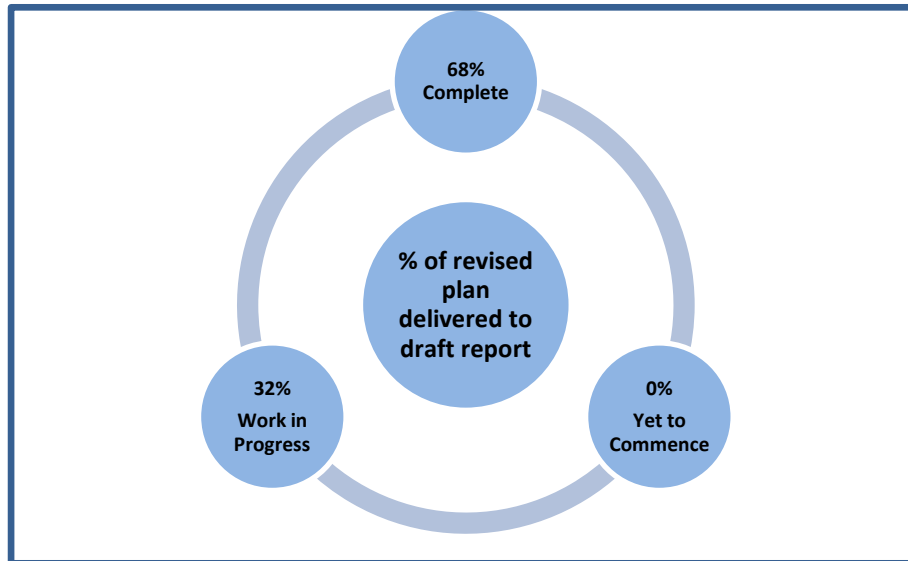
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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



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
Food Safety	Nov 19	HoNS	Limited **	10	0	9	1		
Animal Welfare (Licensing)	May 20	HoNS	Limited **	14	1	13			
IT Asset Management *	Jun 20	HoPRQ	Adequate **	6	0	6			
Licensing	Jun 20	HoNS	Adequate **	6	1	4			1
Information Governance	Jun 20	HoPRQ	Limited **	8	0	7		1	
Norse South East - Governance	Apr 21	HoSC	Reasonable	5	0	3		2	
Lease Income	Jun 21	HoNS	Reasonable	3	1	0			2
Building Control	Jun 21	SD (RP)	Limited	9	0	6			3
Treasury Management *	Sep 21	CFO	Reasonable	1	0	1			
Regeneration *	Oct 21	HoREA	Reasonable	10	0	10			
COVID19 Business Grants *	Nov 21	HoCS	Substantial	3	0	3			
Business Rates	Nov 21	HoCS	Reasonable	3	3	0			
Tree Management	Dec 21	HoNS	Reasonable	5	2	3			
Planning Enforcement	Jan 22	HoNS	Reasonable	4	1	3			
Disabled Facilities Grants	Feb 22	HoNS	Reasonable	14	13	0			1
Main Accounting	Mar 22	CFO	Reasonable	3	3	0			
Risk Management	Mar 22	HoPRQ	Limited	13	13	0			
Total							1	3	7


* 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.

NB Internal Audit will work with the relevant officers to review all outstanding actions to ensure they remain appropriate following the Council’s decision to withdraw from the Joint Management / Shared Staff Arrangements with East Hampshire District Council. The outstanding actions will be assessed as to whether they are still appropriate (including responsible officer and intended timescales for implementation), whether alternative actions are required to address the identified risk or where action is no longer required (e.g. if relating harmonising processes across the two Councils).

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

Risk Management Arrangements		
Audit Sponsor	Assurance opinion	Management Actions
Head of Programmes, Redesign and Quality	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 8</div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;">Medium 5</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div>

Summary of key observations:-

The responsibility for risk management at a corporate level has been assigned to the Corporate Governance Board, who provide assurance on risk management to the Executive Board. The Risk Management Framework provides guidance and defines the roles and responsibilities of key members of staff, however it has not been reviewed or updated since 2018 and contains out of date information.

A Corporate Risk Register is in place to identify, record, evaluate and prioritise all risks that have been identified with strategic importance in line with the Risk Management Framework. All risks recorded in the Corporate Risk Register are assigned a risk owner who is of sufficient seniority to ensure that the risks are managed appropriately. Controls to manage identified risks are recorded and monitored to ensure they are still operating. Risk owners update the Corporate Risk Register quarterly, and the register is discussed and reviewed by the Corporate Governance Board. Risks scoring above the Councils' risk appetite (currently set at 15) should be reported to Audit and Finance Committee each quarter as part of the Quarterly Performance Report however this has not consistently taken place.

Operational risk registers were provided to audit for six service areas across the Council however no registers were received from the remaining seven service areas therefore we cannot confirm that operational risk registers are in place for half of the Council's service areas. Within the operational risk registers received, we found that some of the identified risks had not been assigned risk owners and the evaluation and scoring of risks was incomplete. Health and Safety risk assessment training has been delivered however there has not been any formal 'business' risk management training relating to staff for some years and discussions identified that there is confusion in some Service areas between business risk registers and Health and Safety risk assessments.

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
2021-22								
Corporate / Governance Reviews								
Asset Management – Corporate Estate	SD (RP)	✓	✓	✓				
Health & Safety (COVID-19)	HoOD	✓	✓	✓	Sep 21	Sep 21	Substantial	
Risk Management Arrangements	HoPRQ	✓	✓	✓	Nov 21	Mar 22	Limited	
Procurement Arrangements	HoSC	✓	✓	✓	Jan 22			
Contract Management Arrangements	HoSC	✓	✓	✓				
Fraud Framework - National Fraud Initiative (NFI)	CFO	n/a	n/a	✓	n/a	n/a	n/a	On-going
Financial Management								
Income Collection and Banking	CFO	✓	✓	✓	Mar 22			
Accounts Payable	CFO	✓	✓	✓				
Accounts Receivable / Debt Management	CFO	✓	✓	✓	Feb 22			
Business Rates	HoCS	✓	✓	✓	Aug 21	Nov 21	Reasonable	
Main Accounting and Reconciliations	CFO	✓	✓	✓	Jan 22	Mar 22	Reasonable	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Council Tax	HoCS	✓	✓	✓				
COVID-19 – Business Grants	CFO	✓	✓	✓	Oct 21	Nov 21	Substantial	
Information Technology								
Cyber Attack Response Pathway	HoPRQ	✓	✓	✓	Sep 21			Interim Report
Service Continuity Planning (Loss of IT)	HoPRQ	✓	✓	✓	Dec 21			
IT Device Management	HoPRQ	✓	✓	✓	Nov 21			
Service / Other Reviews								
Regeneration	SD (RP)	✓	✓	✓	Sep 21	Oct 21	Reasonable	
Planning Enforcement	HoNS	✓	✓	✓	Jan 22	Jan 22	Reasonable	
Disabled Facilities Grants	HoNS	✓	✓	✓	Nov 21	Feb 22	Reasonable	
Hampshire Home Choice - Housing Register (Homelessness)	HoHCE	✓	✓	✓	Feb 22			
Planning / Development Management	SD (RP)	✓	✓	✓				
Tree Management	HoNS	✓	✓	✓	Nov 21	Dec 21	Reasonable	
Building Control - Follow-up	SD (RP)	✓	✓	✓				
Licensing (Animal Welfare) - Follow-up	HoNS	✓	✓	✓				
Food Safety – Follow-up	HoNS	✓	✓	✓				

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
Human Resources **	Defer the review to 2022-23 pending planned changes to the Recruitment, Learning and Development and Performance Management systems and processes in 2022. 2020-21 audits concluded with Payroll - Substantial Assurance; HR/Recruitment – Reasonable Assurance; and Workforce Support – COVID-19 – Substantial Assurance therefore 2021-22 HR audits considered lower risk.
Hosted IT Services ***	Defer review to future years as hosting strategy is dependent upon the Shaping Our Future/Transformation Programme
SharePoint Data Migration ***	Defer review to future years as SharePoint migration is also dependent upon the Shaping Our Future/Transformation Programme
Financial Stability – Budget Monitoring ***	Defer the review so officer resources can be utilised on the proposal to withdraw from the Joint Management and Shared Staff Arrangements
Treasury Management ***	Defer the review so officer resources can be utilised on the proposal to withdraw from the Joint Management and Shared Staff Arrangements

Agreed September 2021 *

Agreed December 2021 **

Proposed April 2022 ***

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.