

Internal Audit Progress Report 2022-23

September 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:

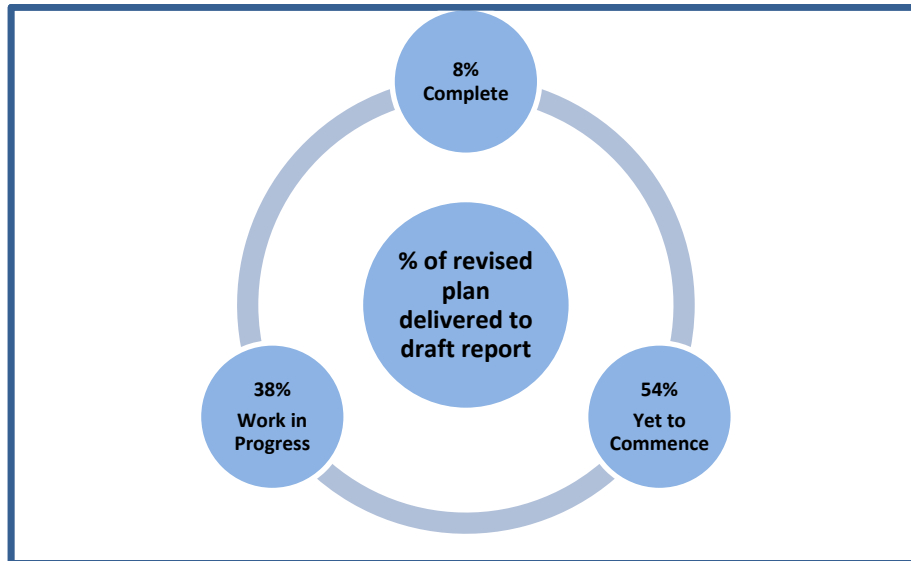
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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 | EHoP | Limited ** | 10 | 0 | 9 | 1 | | |
| Animal Welfare (Licensing) | May 20 | EHoP | Limited ** | 14 | 0 | 13 | | 1 | |
| Licensing | Jun 20 | EHoP | Adequate ** | 6 | 0 | 4 | | | 2 |
| Information Governance | Jun 20 | EHoS | Limited ** | 8 | 0 | 7 | | 1 | |
| Norse South East - Governance | Apr 21 | EHoC | Reasonable | 5 | 0 | 3 | | 2 | |
| Lease Income | Jun 21 | EHoC | Reasonable | 3 | 1 | 0 | | | 2 |
| Building Control | Jun 21 | EHoP | Limited | 9 | 0 | 6 | | | 3 |
| Business Rates | Nov 21 | HoCS | Reasonable | 3 | 0 | 0 | 2 | 1 | |
| Tree Management | Dec 21 | EHoP | Reasonable | 5 | 0 | 3 | 2 | | |
| Planning Enforcement | Jan 22 | EHoP | Reasonable | 4 | 0 | 3 | | 1 | |
| Disabled Facilities Grants | Feb 22 | EHoP | Reasonable | 14 | 0 | 8 | 1 | 5 | |
| Main Accounting 20/21 | Mar 22 | CFO | Reasonable | 3 | 3 | 0 | | | |
| Risk Management | Mar 22 | EHoS | Limited | 13 | 0 | 11 | 1 | 1 | |
| Hampshire Home Choice- Housing Register (Homelessness) | Apr 22 | EHoRC | Reasonable | 3 | 0 | 1 | | 2 | |
| Procurement Arrangements | Apr 22 | EHoC | Limited | 11 | 6 | 1 | 1 | 3 | |
| Income Collection and Banking | Jun 22 | CFO | Reasonable | 2 | 2 | 0 | | | |
| Accounts Payable | Jun 22 | CFO | Reasonable | 6 | 4 | 2 | | | |
| Accounts Receivable & Debt Management | Jul 22 | CFO | Limited | 7 | 7 | 0 | | | |
| Planning / Developers Contributions | Jul 22 | EHoP | Reasonable | 2 | 1 | 0 | | | 1 |
| IT Device Management | Jul 22 | EHoC | Reasonable | 9 | 0 | 0 | 1 | 7 | 1 |
| Cyber-Attack Response Pathway | Aug 22 | EHoC | Reasonable | 10 | 0 | 3 | | 3 | 4 |

| | | | | | | | | | |
|---------------------|--------|------|------------|---|---|---|---|----|----|
| Contract Management | Aug 22 | EHoC | Reasonable | 3 | 3 | 0 | | | |
| Total | | | | | | | 9 | 27 | 13 |

* 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 are working 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 are being 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 | |
|--|-------|
| Executive Head of Place | EHoP |
| Executive Head of Internal Services | EHoIS |
| Executive Head of Commercial | EHoC |
| Executive Head of Regeneration and Communities | EHoRC |
| Chief Finance Officer | CFO |

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 2022-23 audit work.

6. Planning & Resourcing

The internal audit plan for 2022-23 was approved by the Audit and Finance Committee on 27 April 2022. The plan included provisions for consultancy/advisory work to support the Council with transitioning from the Joint Management / Shared Staff Arrangements with East Hampshire District Council and to respond to corresponding emerging issues and risks. The audit requirements are regularly discussed with the senior management team, and once established, proposed plan changes reported to the Audit and Finance Committee for consideration and agreement (Annex 1).

Progress against the plan is detailed within section 7.

7. Rolling Work Programme

| Audit Review | Sponsor | Scoping | Terms of Reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|--|---------|---------|--------------------|-----------|--------------|--------------|-------------------|-------------------------------|
| Brought forward audits included within the 2021-22 Annual Internal Audit Report and Opinion | | | | | | | | |
| Asset Management (Tenanted Properties) | EHoC | ✓ | ✓ | ✓ | Jul 22 | | Limited | |
| Council Tax | EHoC | ✓ | ✓ | ✓ | Jun 22 | | Reasonable | |
| 2022-23 | | | | | | | | |
| Corporate / Governance Reviews | | | | | | | | |
| Transition Arrangements (including HR & ICT) | CFO | | | | | | | Provision of days as required |
| Risk Management Arrangements | EHoIS | ✓ | ✓ | ✓ | | | | |
| Financial Stability | CFO | ✓ | | | | | | |
| Asset Management (Tenanted Properties) – Follow-up | EHoC | | | | | | | Q4 |
| Business Continuity / Disaster Recovery | EHoIS | | | | | | | Q3/4 |
| Corporate Governance – AGS * | EHoIS | ✓ | ✓ | | | | | |
| Information Governance – Theme TBC * | EHoIS | ✓ | | | | | | |
| Contract Management Arrangements * | EHoC | ✓ | ✓ | ✓ | Jul 22 | Aug 22 | Reasonable | |

| Audit Review | Sponsor | Scoping | Terms of Reference | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|---|----------------|----------------|---------------------------|------------------|---------------------|---------------------|--------------------------|-------------------------------|
| Fraud Framework - National Fraud Initiative (NFI) | CFO | n/a | n/a | ✓ | | | | On-going |
| Financial Management | | | | | | | | |
| Accounts Payable | CFO | | | | | | | Q3 |
| Accounts Receivable / Debt Management | CFO | | | | | | | Q3-4 |
| Treasury Management | CFO | | | | | | | Q3-4 |
| Benefits (including Council Tax Support Scheme) | EHoC | | | | | | | Q3-4 |
| Information Technology | | | | | | | | |
| ICT - Data Decoupling | EHoC | | | | | | | Q4 |
| Service / Other Reviews | | | | | | | | |
| TBC | | | | | | | | Provision of days as required |

Proposed plan changes * - see Annex 1

Annex 1 - Adjustments to the plan

| Audit reviews added to the plan (included in rolling work programme above) | Comment |
|---|--|
| Contract Management Arrangements * | Brought forward from 2021-22 plan as work in progress at the time of the Annual Internal Audit Report and Opinion. |
| Corporate Governance – AGS * | A review of the arrangements to inform the Annual Governance Statement. |
| Information Governance – Theme TBC * | Initial discussions have identified a potential aspect of information governance for review with a further meeting booked in October to establish the scope of the review. |

| Audit reviews removed from the plan (excluded from rolling work programme) | Comment |
|---|---|
| Norse South-East Partnership * | Defer the review due to on-going discussions to end the Inter Authority Agreement to provide services to East Hampshire District Council. Review once new arrangements have been established and become embedded. |
| | |
| | |

Proposed October 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. |