

Internal Audit Progress Report 2022-23

February 2023

Havant Borough Council

Havant
BOROUGH COUNCIL

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Analysis of 'Live' audit reviews	6-7
5.	Executive summaries 'Limited' and 'No' assurance opinions	8
6.	Planning and resourcing	8
7.	Rolling work programme	8-9
Annex 1	Adjustments to the plan	10
Annex 2	Pre 2020-21 Audit Opinion Definitions	11

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:

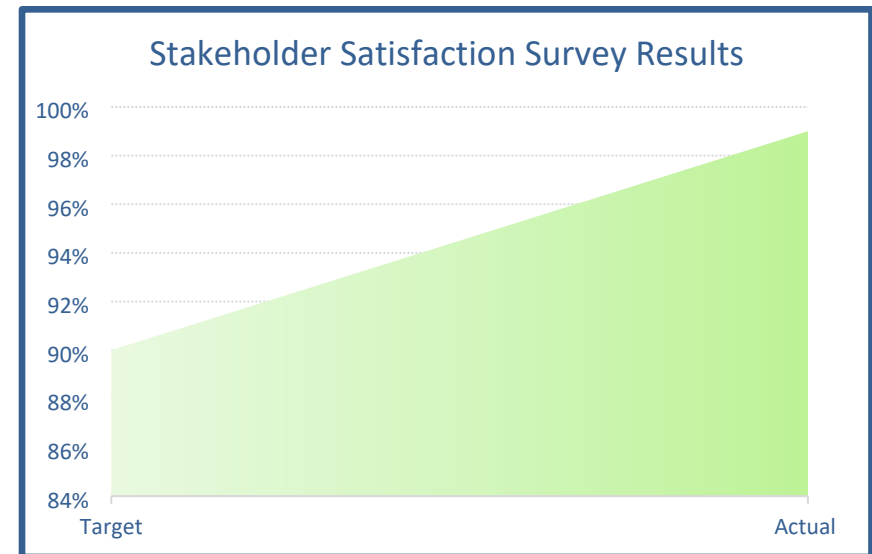
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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	EHoIS	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	0	0	3		
Risk Management *	Mar 22	EHoIS	Limited	13	0	13			
Hampshire Home Choice- Housing Register (Homelessness) *	Apr 22	EHoRC	Reasonable	3	0	3			
Procurement Arrangements	Apr 22	EHoC	Limited	11	0	1	3	7	
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	0	0		1	1
IT Device Management	Jul 22	EHoC	Reasonable	9	0	6		3	

Cyber-Attack Response Pathway	Aug 22	EHoC	Reasonable	10	0	7		2	1
Contract Management	Aug 22	EHoC	Reasonable	3	2	0			1
Asset Management (Tenanted Properties)	Nov 22	EHoC	Limited	4	4	0			
Council Tax	Dec 22	EHoC	Reasonable	3	0	0		2	1
Total Management Actions (number)				157	20	88	12	26	11
Total Management Actions %				100	13	56	8	16	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.

The management actions have been assigned the following priority ratings by the officers responsible for implementing the actions:-

High Priority	An immediate risk of failure to achieve objectives; system breakdown; or loss. Such risk could lead to an adverse impact on the organisation or exposure to criticism.
Medium Priority	Although not immediate, there is risk of failure to achieve objectives; system breakdown; or loss.
Low Priority	Areas that individually have no immediate risk impact, but where management would benefit from enhanced process/control or efficiencies.

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	Nov 22	Limited	
Council Tax	EHoC	✓	✓	✓	Jun 22	Dec 22	Reasonable	
2022-23								
Corporate / Governance Reviews								
Risk Management Arrangements – Follow-up	EHoIS	✓	✓	✓	Nov 22	Feb 23	n/a	
Financial Stability – Budget Re-basing & MTFs revision	CFO	✓	✓	✓	Feb 23	Feb 23	Substantial	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Asset Management (Tenanted Properties) – Follow-up	EHoC	✓						
Business Continuity / Disaster Recovery	EHoIS	✓	✓	✓				
Corporate Governance Framework – Annual Governance Statement	EHoIS	✓	✓	✓	Oct 22	Oct 22	Substantial	
Information Governance – CAPITA	EHoIS	✓	✓					
Contract Management Arrangements	EHoC	✓	✓	✓	Jul 22	Aug 22	Reasonable	
Fraud Framework - National Fraud Initiative (NFI)	CFO	n/a	n/a	✓	n/a	n/a	n/a	On-going
Human Resources – Recruitment **	EHoIS	✓	✓	✓				
Financial Management								
Accounts Payable	CFO	✓	✓	✓				
Accounts Receivable / Debt Management	CFO	✓	✓	✓				
Treasury Management	CFO	✓	✓	✓				
Benefits (including Council Tax Support Scheme)	EHoC	✓	✓	✓				
Information Technology								
ICT - Data Decoupling	EHoC	✓						
Service / Other Reviews								
Homelessness **	EHoRC	✓	✓	✓				

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 Framework - AGS *	A review of the arrangements to inform the Annual Governance Statement (AGS).
Information Governance – CAPITA *	To provide assurance over CAPITA’s Information Governance arrangements including training and incident reporting (potential breaches).
Homelessness **	To review progress with implementing the action plan following the DLUHC intervention visit.
Human Resources – Recruitment **	To provide assurance over the recruitment, pre-employment checks and on-boarding processes.

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.

Agreed October 2022 *

Proposed March 2023 **

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.