
Southern Internal Audit Partnership

Assurance through excellence
and innovation

HAVANT BOROUGH COUNCIL
ILLUSTRATIVE INTERNAL AUDIT
COVERAGE 2023-24 TO 2025-26

Prepared by: Antony Harvey, Deputy Head of Partnership

June 2023

Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisation's 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'.

The 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.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of Internal Audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The strategic lead will be Antony Harvey, Deputy Head of Partnership, supported by Mark Norton, Audit Manager.

Conformance with Internal Auditing Standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework (IPPF).

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team 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.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards.

Developing the Internal Audit Plan

In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals. In order to provide annual assurance of the Council's framework of governance, risk and internal control, a suitable level of audit coverage is essential. Historically, internal audit provision for the Council consisted of a 380 day audit plan which was reduced on SIAP's advice and risk-based assessment to 300 days per annum from 2020-21.

In January 2023, at the request of the then Chief Financial Officer on behalf of the Council's Management Team, we were asked to provide an options paper with a view to reduce audit days in order to make cost savings for the Council and reduce the officer time required to facilitate audits. Given the level of potential change following the ending of the Joint Management Team and shared staff arrangements with East Hampshire District Council, key staff changes and potential changes in governance frameworks, systems, structures, and controls, the ability to place reliance on the outcomes of previous audit reviews is diminished. We recommended it would be prudent to maintain a level of 300 days per annum until such time as assurances have been established across the organisation with a view to a reduced level of coverage in future years based on an ongoing risk-based approach. In addition, conversations with External Audit colleagues confirmed that if coverage was reduced at the present time, they would need to consider whether they would have to do more audit work as a result.

The Council have maintained it would like a reduction of 50 audit days per annum and have requested an indicative outline of audit coverage over a three-year period. We have therefore produced an illustration, reflecting potential audit areas to consider and the frequency of each review. In providing this projection, we cannot give any guarantee that each potential audit area can be covered within the three-year period or the frequency of each review as it makes no provision for legislative changes, national or local emerging issues, a constantly changing risk landscape, potential system changes etc, or any requirement to revisit audit areas previously covered where significant issues were identified. It also has to be recognised that the scope of each review will have to be tailored to fit the reduction in commissioned days.

Given the likely change to, for example, financial systems and ICT systems within the three-year time frame, the ability to deliver the entire illustrative coverage is highly unlikely as additional work is inevitable. Furthermore, where audit review areas have been grouped under generic headings, such as Information Governance, Corporate Governance or Human Resources with intended coverage each year, it will not be possible to cover all potential audit areas within a three-year time frame.

To maximise coverage, we will endeavour to combine reviews where possible, for example, if there is an established programme & project management framework and compliance can be established & confirmed at the same time in relation to a significant programme or project, duplication will be avoided on the assumption the framework is clear, embedded and followed. We will also work with officers to identify if there are other sources of assurance and the extent to which this can be relied upon to prevent duplication.

As the entire ‘audit universe’ cannot be covered within the three-year plan, it is imperative that the audit plan is reassessed each year so reviews are focussed on the highest risk areas, as identified within the Council’s risk registers and also based upon our own assessment of risks. It will therefore be a priority to focus on the Council’s risk management framework, and the level of embeddedness and maturity of the arrangements, to ensure that the controls and mitigations in place to reduce the likelihood or impact of risks materialising, are operating effectively.

In terms of next steps, we will need to mutually agree the highest priority areas for 2023-24 and the timing of the reviews in order to develop the detailed annual plan and continue to revisit throughout the year to ensure the plan is aligned to organisational needs and provides sufficient coverage to inform the annual audit report and opinion.

Illustrative Internal Audit Coverage 2023-24 – 2025-26

Audit Review	Indicative Scope	3 Year Provision Basis
Governance		
Strategic Planning and Performance Management	Assurance over delivery of the Corporate Strategy; underpinning strategies & plans; and performance monitoring & reporting frameworks.	Once in 3 years
Corporate Governance Arrangements	Cyclical assurance over the Council’s Corporate Governance Arrangements, potentially including:- <ul style="list-style-type: none"> • AGS • Decision making and accountability • Codes of Conduct • Fraud Framework ESG	One review per annum
Information Governance	Cyclical assurance over the Council’s Information Governance arrangements to ensure compliance with legislative requirements including:- <ul style="list-style-type: none"> • Compliance with GDPR • Records management and retention • FOI / SAR / EIR 	One review per annum

Audit Review	Indicative Scope	3 Year Provision Basis
Financial Stability	<p>Cyclical assurance over risks relating to the financial stability of the Council, including:-</p> <ul style="list-style-type: none"> • Medium Term Financial Strategy • Budget planning/setting • Savings Realisation • Budget monitoring • Capital programme & monitoring (if not covered elsewhere). 	One review per annum
Property / Asset Management (Corporate Estate)	Assurance over the arrangements to manage the Council’s properties including the implementation of the peer review actions and proposed new Property Asset Management System.	<p>Twice in 3 years e.g. 1 * System implementation 1 * Framework</p>
Risk Management	Assurance over the risk management framework including governance, transparency and maturity. Regular review of risks to ensure the annual audit plan is aligned to the changing risk landscape.	Annual (although some years will be a lighter touch review)
Business Continuity	Assurance over plans to recover services after a major incident / planning for extreme events.	Once in 3 years
Energy Management / Climate Emergency / Green Agenda / Air Quality	Assurance over the Council’s response to the Climate Emergency/Green Agenda including strategies, detailed plans and progress monitoring to ensure outcomes are realised.	Twice in 3 years
Health and Safety	Assurance that there are appropriate arrangements to manage Health and Safety with effective assessments, accountability and issue resolution.	Twice in 3 years
Procurement	Assurance over compliance with contract procedure rules and legislative requirements.	<p>Twice in 3 years e.g. 1 * General Procurement 1 * Significant Value Procurement</p>

Audit Review	Indicative Scope	3 Year Provision Basis
Contract Management	Review of contract management arrangements and compliance across a selection of 'key, high value/profile contracts'.	Twice in 3 years
Programme and Project Management	Review of the programme and project management framework and/or effectiveness of the management of specific corporate projects.	Twice in 3 years e.g. 1 * Framework 1 * Significant project
Working in Partnership / Alternative Delivery Models	Assurance over the governance framework for 'softer' non-contract based arrangements, including rights of access, third party assurance, contingency arrangements, exit strategies, hosting arrangements (accountabilities), benefits realisation and performance.	Once in 3 years
Fraud Framework – NFI	Facilitation of the Council's obligations for participation in the National Fraud Initiate.	Annual
Human Resources		
Human Resources	Assurance over key activities over a cyclical period, to potentially include: <ul style="list-style-type: none"> • Workforce Strategy • Performance Management • Absence Management • Recruitment • Training & Development • Use of Agency Staff 	One review per annum
Financial Systems		
Accounts Payable	Cyclical review as a key financial system.	Once in 3 years
Accounts Receivable / Debt Management	Cyclical review as a key financial system.	Once in 3 years
Income Collection & Banking	Cyclical review as a key financial system.	Once in 3 years

Audit Review	Indicative Scope	3 Year Provision Basis
Main Accounting & Reconciliations	Cyclical review as a key financial system.	Once in 3 years
Treasury Management	Cyclical review as a key financial system.	Once in 3 years
Payroll (inc Overtime & Expenses)	Cyclical review as a key financial system.	Once in 3 years
NNDR	Cyclical review as a key financial system.	Once in 3 years
Benefits	Cyclical review as a key financial system.	Once in 3 years
Council Tax	Cyclical review as a key financial system.	Once in 3 years

ICT

The plan would include a provision for two reviews per annum, with themes to be confirmed, pending future direction of travel & timescales. Generic considerations assessed with similar partners, to identify the areas relevant to each organisation, based upon the ITIL4 framework include:-

IT Governance

- IT Strategy and Planning
- IT Asset Management
- Change Management
- Software Licencing
- Incident and Problem Management
- Service Desk
- Mobile Device Management

Data Management

- Data Storage and data backup
- Data Centre Facilities and Data Security
- Capacity Planning and Monitoring
- Data Classification & Ownership

Audit Review	Indicative Scope	3 Year Provision Basis
	<ul style="list-style-type: none"> • Data Quality. 	
Information Security	<ul style="list-style-type: none"> • Cyber Security (multiple facets) • Cloud hosted services • Remote Access • Public Facing Internet Security • IT Security Policy. 	
Systems Development and Implementation	<ul style="list-style-type: none"> • Application Reviews • Programme & Project Management. 	
Business Continuity	<ul style="list-style-type: none"> • IT Business Continuity Planning • Disaster Recovery Planning • System Resilience. 	
Networking and Communications	<ul style="list-style-type: none"> • Firewalls & Malware protection • Network Security and Access Control • Network Infrastructure Management & Monitoring • Virtualisation • Operating System / Patch Management • Secure Emails • Telecommunications. 	
Service / Specific Reviews		
Homelessness	Assurance over the arrangements to prevent homelessness and rough sleeping / reduce temporary accommodation usage.	Twice in 3 years

Audit Review	Indicative Scope	3 Year Provision Basis
Development Management	Assurance over the end-to-end Development Management process, planning enforcement, developer obligations inc. S106 & CIL	Twice in 3 years
Building Control	Review of policy and processes in line with legislative requirements.	Once in 3 years
Disabled Facilities Grants	Assurance over the administration and awarding of grants in line with local / legislative requirements.	Once in 3 years
Regeneration	Assurance over the Council’s approach for regeneration including strategies, detailed plans and progress monitoring to ensure outcomes are realised.	Once in 3 years
Economic Development	Assurance over the Council’s approach for economic development including strategies, detailed plans and progress monitoring to ensure outcomes are realised.	Once in 3 years
Environmental Health	Assurance over the processes and systems to manage the Council’s obligations for Environmental Health including Food Hygiene Inspections, Fly-Tipping/Fly Posting, Abandoned Vehicles, Pest Control, HMOs etc.	Once in 3 years
Licencing	Assurance over the processes and systems to manage the Council’s statutory obligations for Licencing.	Once in 3 years
Parking and Enforcement	Assurance over the processes and systems to manage the Council’s obligations for Parking and Enforcement.	Once in 3 years
Parks / Open Spaces / Tree Inspection & Management	Assurance over the processes and systems to manage the Council’s obligations for the inspection, maintenance and management of parks and open spaces etc.	Once in 3 years
Other		
Management	Provision of regular liaison, Committees & reporting, planning and follow-up of outstanding actions.	
Total Days (per annum)		250

Areas excluded from the indicative coverage.

The following, non-exhaustive list, provides examples of areas excluded from the illustration which would need to be considered when developing the risk based annual plan.

Safeguarding – intention would be to consider any safeguarding implications, where applicable, within individual reviews included within the plan rather than as a standalone audit.

Land Registry/Land Charges – pending transfer to Central Government.

Transformation – consider as part of programme and project management.

Coastal/Harbours/Waterways - consider as part of programme and project management or within Capital Programme monitoring.

Community Lottery; Community Grants; Other discretionary grants awarded – would need to be considered based upon materiality.

Government Grant Certification – requirement for internal audit certification is specific to individual grant conditions so would need to be covered as and when the situation arises.

Emergency Planning – Reliance can, to a certain extent, be placed upon the activities and responsibilities of the wider Local Resilience Forum.

Insurance – could potentially include within Property / Asset Management audits etc and would need to be risk assessed based upon materiality to inform if a standalone audit is required.

CCTV – inclusion subject to risk assessment.