
NON-EXEMPT

HAVANT BOROUGH COUNCIL

AUDIT AND FINANCE COMMITTEE

10 July 2023

ILLUSTRATIVE INTERNAL AUDIT COVERAGE 2023-24 TO 2025-26

FOR DECISION

Portfolio Holder: Cllr Bowdell

Key Decision: No

Report Number: HBC/017/2023

1. Purpose

- 1.1. The purpose of this paper is to provide the Audit and Finance Committee with an illustrative Internal Audit coverage for 2023-24 to 2025-26, which is based upon a reduction of 50 audit days, from 300 to 250 days, as requested by the Council's Management Team.
- 1.2. 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
 - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2. Recommendation

- 2.1. That the Audit and Finance Committee
 - (i) endorse the prudent reduction of audit days to 250 days per year;
 - (ii) endorse the development of the risk based annual audit plan for 2023-24;
 - (iii) note the risks associated with the reduction in audit coverage.

3. Executive Summary

- 3.1. 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.
- 3.2. In January 2023, at the request 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.
- 3.3. 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, 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.
- 3.4. 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, which is provided as Appendix 1, reflecting potential audit areas, an indicative scope, 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 and have outlined some of the factors which will impact upon the delivery of the illustration and associated risks with a plan reduction.
- 3.5. We will endeavour to continue to provide a sufficient level of assurance with the resources available and have outlined how we intend to develop the annual plan for 2023-24 which will be brought to this Committee for approval in due course.

4. Additional Budgetary Implications

4.1. None directly from this report.

5. Background and relationship to Corporate Strategy, Climate & Environment Strategy and/or Business Plans

5.1. Internal audit plays a vital role in helping the Council accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

6. Options considered

6.1. Not applicable.

7. Resource Implications

7.1. Financial Implications

Section 151 Officer comments

Date: 27/06/2023

The Internal Audit Coverage set the outline plan of audit work to be covered over the next 12 months. It will go to form part of a 3-year rolling plan for internal audit work and consists of an average of 250 days audit work per year.

The document shows the key areas that internal audit will focus on and the estimated number of days required to resource each area of focus.

After the separation from East Hampshire District Council, there was a need for significant internal audit work to ensure the new practices and processes were reasonable and operating effectively. However, as we move into financial year 2023/24 the scale of internal audit can move towards a more “business as usual” approach, and the number of audit days will likely reduce from 300 to 250 days per year (with an associated reduction in costs) pending the approval of the audit plan.

It is therefore, also my recommendation that the committee approves this approach and that Havant Borough Council and the Southern Audit Partnership work on the development of the risk based audit plan as recommended in the report.

Steven Pink – Chief Finance Officer (S151)

- 7.2. Internal Audit is provided through the Southern Internal Audit Partnership. Subject to approval, the audit plan consists of 250 audit days and will remain fluid throughout the year to meet the changing needs of the Council.
- 7.3. Human Resources Implications
None directly from this report.
- 7.4. Information Governance Implications
None directly from this report.
- 7.5. Other resource implications
None directly from this report

Monitoring Officer and Legal comments

Date: 27/06/2023

Accounts and Audit (England) Regulations 2015 that the Council should “undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The development of the risk based annual audit plan is an important source of information for the Chief Finance Officer in exercising his responsibilities.

8. Risks

- 8.1. The audit needs assessment follows a risk-based audit approach taking cognisance of the Council’s risk register.

9. Climate & Environment Implications

- 9.1. None directly from this report.

10. Consultation

- 10.1. This report has been discussed with the Council's Section 151 Officer who has regular update meetings with the Deputy Head of Southern Internal Audit partnership.

11. Communication

11.1. None directly from this report.

12. Appendices

12.1. Appendix 1 – Illustrative Internal Audit Coverage 2023-24 to 2025-26.

13. Background papers

13.1. None.

Agreed and signed off by:

Portfolio Holder: Councillor Bowdell

Director: Steven Pink – Chief Finance Officer

Monitoring Officer: Jo McIntosh

Section 151 Officer: Steven Pink

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