

SUBJECT:	<b>Internal Audit: Progress Report</b>
MEETING:	<b>Governance and Audit Committee</b>
DATE OF MEETING:	<b>17 June 2014</b>
REPORT OF:	<b>Head of Internal Audit Partnership</b>
REPORT DATE:	<b>16 May 2014</b>

<b>1 Opinion definitions – From 2013/14 onwards</b>
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<b>Opinion</b>	<b>Framework of governance, risk management and management control</b>
Substantial assurance	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate assurance	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 assurance	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 assurance	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks.

**2 Status of 'live' reports:**

Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Finance	Dec 2011	G&L	Substantial*	Substantial*	6 (0)	5 (0)	1 (0)	
IT Security Policy	Jan 2012	M&D	Limited*	Substantial *	<b>10 (3)</b>	<b>10 (3)</b>		
Parking services	Apr 2012	E&NQ	Limited*	Substantial *	3 (0)	2 (0)		1 (0)
Development control	Aug 2012	P&BE	Limited*	Substantial*	11 (0)	10 (0)		1 (0)
Food safety and noise control	Sep 2012	E&NQ	Substantial*	Substantial*	14 (1)	13 (1)	1 (0)	
Fraud prevention	Sep 2012	G&L	Substantial*	Substantial*	<b>5 (0)</b>	<b>5 (0)</b>		
Operational services procurement	Apr 2013	E&NQ	Limited*	Substantial*	13 (0)	12 (0)		1 (0)
Developer contributions	May 2013	P&BE	Limited*	Substantial*	9 (0)	8 (0)	1 (0)	
Information management	23/08/13	M&D	Limited	Limited	1 (0)			1 (0)
Vehicle maintenance	10/10/13	E&NQ	Adequate	Adequate	5 (1)	3 (1)		2 (0)
Lease income	16/12/13	G&L	Adequate	Adequate	7 (0)	5 (0)	2 (0)	
Accounts payable	06/01/14	G&L	Adequate	Adequate	1 (0)		1 (0)	
Proactive fraud initiatives	23/01/14	G&L	Adequate	Adequate	1 (0)			1 (0)

Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
NNDR	31/01/14	G&L	Substantial	Substantial	1 (0)			1 (0)
Payroll	31/01/14	G&L	Adequate	Adequate	3 (0)	2 (0)	1 (0)	
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	20/02/14	G&L	Substantial	Substantial	1 (0)		1 (0)	
Procurement	24/02/14	G&L	Adequate	Adequate	<b>2 (0)</b>	<b>2 (0)</b>		
Contract Management - Client Monitoring	28/03/14	Various	Adequate	Adequate	<b>2 (0)</b>	<b>2 (0)</b>		
Partnership management	22/04/14	E&NQ	Limited	Limited	6 (1)	2 (1)	4 (0)	
Health and Safety at work	02/05/14	G&L	Adequate	Adequate	5 (0)		5 (0)	
Finance – Main accounting	02/05/14	G&L	Adequate	Adequate	2 (0)	1 (0)	1 (0)	
Asset Acquisition Strategy	13/05/14	G&L	Adequate	Adequate	2 (0)		2 (0)	

\*The audit assessments/opinions are in accordance with the definitions in place prior to 2013/14. See Appendix A for the previous definitions.

<b>Key to Audit Sponsors</b>	
Executive Head Marketing and Development	M&D
Executive Head Governance and Logistics	G&L
Executive Head Environment and Neighbourhood Quality	E&NQ
Executive Head Planning and Built Environment	P&BE

### **3 Internal Audit Performance**

The internal audit service is measured against the following key performance targets:

<b>Performance Targets – May 2014</b>		
	Target for Year (%)	Actual to Date (%)
% of revised plan delivered (including 2012/13 c/f)	95	97
Compliant with the Public Sector Internal Audit Standards	Yes	Yes
% of positive customer responses to Quality Appraisal Questionnaire	90	94

### **4 Planning and Resourcing**

The internal audit plan for 2013/14 was prepared following meetings with the Executive Heads and Service Managers and was presented to the Executive Board on 30 July. The audit plan remained fluid to ensure audit resource was effectively aligned to the Council's needs. Progress against the plan is detailed within section 7.

## 5 Issues arising

There were no significant issues arising from internal audit work carried out in accordance with the 2013/14 audit plan.

The two 'limited assurance' reviews related to Partnership Management (Parking Services); and Information Management.

**Partnership Management (Parking Services)** – audit observations highlighted a lack of consistency both in coding partnership expenditure and in completing appropriate recharges, each impacting on the ability to effectively monitor budgets. This was underpinned by the absence of any agreement (outside of the original business case) between Havant Borough Council and East Hampshire District Council formalising service and recharge levels.

**Information Management** – a focused piece of work to assist in the introduction of the Customer Relationship Management System. Review highlighted the absence of a corporate standard for how data is captured and stored within applications across the organisation increasing the risk of inconsistency, poor customer services, inaccuracy and the ability to attain quality management information (including data for FOI requests).

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

## 6 Fraud and Irregularities

We have assessed and where appropriate, advised, investigated or supported 2 investigation of fraud, corruption or improper practice:

- One did not identify any fraud or impropriety, however did highlight a number of control weaknesses that have since been raised with management; and
- One review remains on-going

We have subsequently provided advice to management on a number other cases as required.

**7 Rolling work programme 2013/14 audit plan**

Audit title	Audit Sponsor	Audit progress					
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
<b>Corporate Cross cutting</b>							
Business Continuity Planning	M&D	✓	✓	✓	✓		
Contract Management - Client Monitoring	Various	✓	✓	✓	✓	✓	28/03/14
Information Management	M&D	✓	✓	✓	✓	✓	23/08/13
NFI	G&L	N/A	N/A	✓	✓	N/A	N/A
Partnership Management	Various	✓	✓	✓	✓	✓	22/04/14
Procurement	G&L	✓	✓	✓	✓	✓	24/02/14
Performance Management Systems	M&D	✓	✓	✓	✓	✓	
Risk management	G&L	✓	✓	✓	✓	✓	
<b>Corporate Governance</b>							
Proactive fraud initiatives	G&L	✓	✓	✓	✓	✓	27/01/14

Audit title	Audit Sponsor	Audit progress					
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Constitution	G&L	✓	✓	✓	✓	✓	06/09/13
Health and safety at work	G&L	✓	✓	✓	✓	✓	02/05/14
Special Investigations	G&L	N/A	N/A	N/A	N/A	N/A	N/A
Annual review of effectiveness of Internal Audit	G&L	✓	✓	✓	✓	✓	05/03/14
<b>Financial Management</b>							
Lease Income	G&L	✓	✓	✓	✓	✓	16/12/13
Benefits	G&L	✓	✓	✓	✓	✓	
Capital Purchases	G&L	✓	✓	✓	✓	✓	
Accounts Payable	G&L	✓	✓	✓	✓	✓	06/01/14
Finance - Budgetary Control	G&L	✓	✓	✓	✓	✓	
Finance – Main Accounting	G&L	✓	✓	✓	✓	✓	02/05/14
NNDR	G&L	✓	✓	✓	✓	✓	31/01/14
Payroll	G&L	✓	✓	✓	✓	✓	31/01/14

Audit title	Audit Sponsor	Audit progress						Final report issued
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued		
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	G&L	✓	✓	✓	✓	✓	20/02/14	
<b>Information Technology</b>								
Computer implementations (Finance)	G&L	Advice role						
Mod Gov	M&D	✓	✓	✓	✓	✓		
<b>Corporate objective - economic growth - No audits in 2013/14 plan</b>								
<b>Corporate objective - public service excellence</b>								
Vehicle Maintenance	E&NQ	✓	✓	✓	✓	✓	10/10/13	
Coastal Defence Partnership – stage 1	P&BE	✓	✓	✓	✓	✓	27/06/13	
Coastal Defence Partnership – stage 2	P&BE	✓	✓	✓	✓	✓	27/02/14	
Disabled Facilities Grants	E&NQ	✓	✓	✓	✓	✓	23/08/13	
<b>Corporate objective - financial sustainability</b>								
Asset Acquisition Strategy	G&L	✓	✓	✓	✓	✓	13/05/14	

<b>Key to Audit Sponsors</b>	
Executive Head Marketing and Development	M&D
Executive Head Governance and Logistics	G&L
Executive Head Environment and Neighbourhood Quality	E&NQ
Executive Head Planning and Built Environment	P&BE

## Appendix A

Opinion	Framework of governance, risk management and management control
<b>Full</b>	<p><b>Evaluation opinion</b> - There is a sound system of control designed to achieve the system objectives, and</p> <p><b>Testing opinion</b> – The controls are being consistently applied.</p>
<b>Substantial</b>	<p><b>Evaluation opinion</b> – While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or</p> <p><b>Testing opinion</b> – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p>
<b>Limited</b>	<p><b>Evaluation opinion</b> – Weaknesses in the system of controls are such as to put the system objectives at risk, and/or</p> <p><b>Testing opinion</b> – The level of non-compliance puts the system objectives at risk.</p>
<b>No Assurance</b>	<p><b>Evaluation opinion</b> – Control is generally weak leaving the system open to significant error or abuse, and/or</p> <p><b>Testing opinion</b> – Significant non-compliance with basic controls leaves the system open to error or abuse.</p>