

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 29 MARCH 2019, AT 9.30 AM*

Place: COMMITTEE ROOM 3.2, APPLETREE COURT,
LYNDHURST

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PUBLIC PARTICIPATION:

*Members of the public may speak in accordance with the Council's public participation scheme:

- (a) immediately before the meeting starts, on items within the Committee's terms of reference which are not on the public agenda; and/or
 - (b) on individual items on the public agenda, when the Chairman calls that item.
- Speeches may not exceed three minutes. Anyone wishing to speak should contact the name and number shown above.

Bob Jackson
Chief Executive

Appletree Court, Lyndhurst, Hampshire. SO43 7PA
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This Agenda is also available on audio tape, in Braille, large print and digital format

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meeting held on 25 January 2019 as a correct record.

2. DECLARATIONS OF INTEREST

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

3. PUBLIC PARTICIPATION

To note any issues raised during the public participation period.

4. INTERNAL AUDIT PROGRESS REPORT 2018/19 (Pages 1 - 16)

To receive the internal audit progress report for 2018/19.

5. TRADE WASTE PRESENTATION

To receive a presentation on the outcomes of a process review of trade waste services carried out by Internal Audit, and how this has informed the development of a new service plan, and reflected issues.

6. INTERNAL AUDIT PLAN 2019/20 (Pages 17 - 36)

To consider the internal audit plan for 2019/20.

7. INTERNAL AUDIT CHARTER 2019/20 (Pages 37 - 46)

To consider the internal audit charter for 2019/20.

8. RISK UPDATE AND RISK REGISTER (Pages 47 - 52)

To review the Strategic Risk Register and to note an update on risk management arrangements.

9. AUDIT COMMITTEE WORK PLAN (Pages 53 - 54)

To consider the Audit Committee's Work Plan.

10. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT

To:

Councillors:

Councillors:

A D O'Sullivan (Chairman)
J G Ward (Vice-Chairman)
A R Alvey
W G Andrews

J D Heron
Mrs E L Lane
Miss A Sevier
C A Wise

EMT - 19 MARCH 2019
AUDIT COMMITTEE – 29 MARCH 2019

INTERNAL AUDIT PROGRESS REPORT 2018-19 – MARCH 2019

1. INTRODUCTION

- 1.1. The purpose of this report is to provide the Audit Committee with an overview of internal audit activity completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2. SUMMARY

- 2.1. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

- 2.2. In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Governance and Audit Committee, summarising:

'communications on the internal audit activity's performance relative to its' plan.'

- 2.3. Appendix 1 summarises the performance of Internal Audit for 2018-19.

3. FINANCIAL IMPLICATIONS

- 3.1. The audit plan consists of 470 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2018-19 reflects these arrangements.

4. CRIME AND DISORDER IMPLICATIONS

- 4.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.

5. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

5.1. There are no matters arising directly from this report.

6. RECOMMENDATION

6.1. The Audit Committee note the content of the progress report.

For Further Information Please Contact:

Antony Harvey
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Background Papers:

Internal Audit Plan 18-19

Internal Audit Progress Report

March 2019

New Forest District Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

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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’.

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.

2. Purpose of report

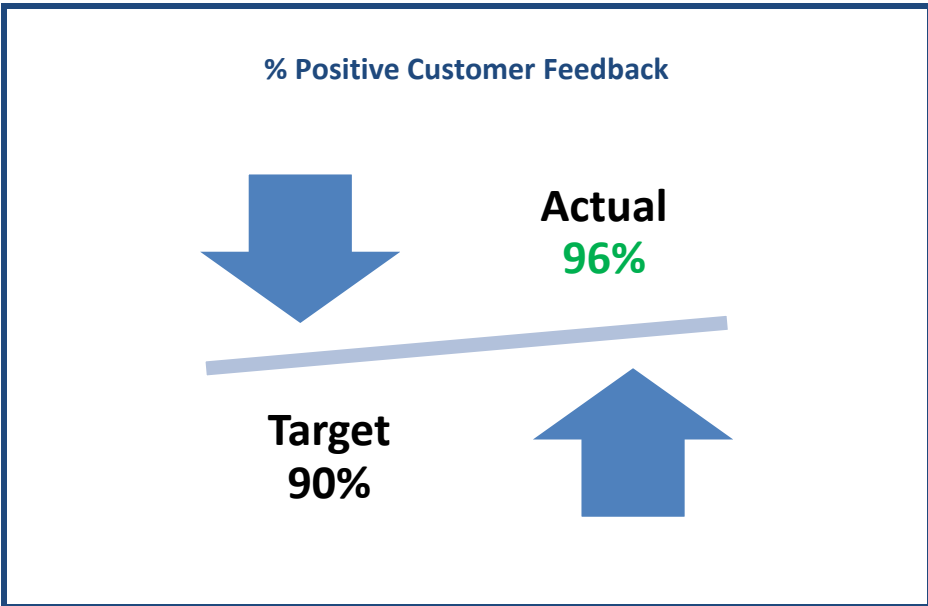
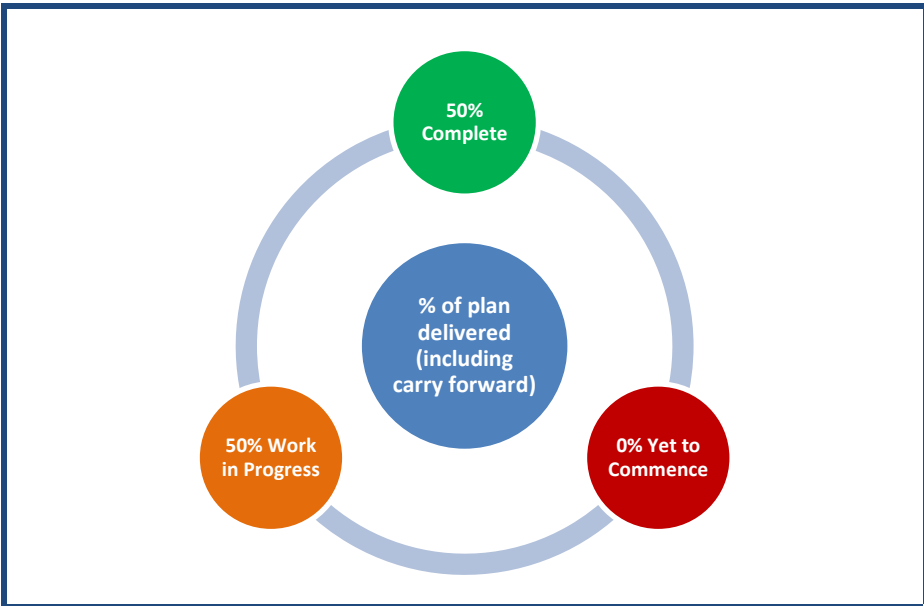
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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. Assurance opinions are categorised as follows:

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.

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that the Southern Internal Audit Partnership 'generally conforms' (top grading) to all of the principles contained within the International Professional Practice Framework (IPPF); Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).</i></p> <p>In accordance with PSIAS, a further self assessment was completed in April 2018 concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.</p>

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
<p>There are 21 outstanding actions from 6 audits relating to reviews completed prior to the 2017/18 audit plan (previous reported position was 23 actions from 8 areas). These actions will be tracked through to completion or on occasion, obsolescence if, for example, they are superseded by alternative actions to address the issues identified. Of the 21 outstanding actions, four are high priority and relate to the following areas:-</p> <ul style="list-style-type: none"> • ICT – VM upgrade. Current progress - The servers are being replaced. In the interim, to address current issues, more memory has been added to the servers, which has increased stability and taken the pressure off for the short term. All servers are planned to be running on the new virtual environment by the end of March 2019. • Payment Card Industry Data Security Standards (PCI DSS) Compliance. Current progress – There are elements of the current financial system and telephony system that are non-compliant. These systems are due to be replaced in 2019. • Business Continuity. Current progress – An initial Business Impact Analysis (BIA) has been completed with Service Managers. A proposed critical activity list has been developed and discussed with EMT. The critical activity list will be reviewed and will inform an in-depth BIA process with the aim to test Business Continuity Plans and the Emergency Response Plan during an annual exercise planned during the Spring 2019. This will be followed up by Internal Audit as part of in 2019/20 audit plan. 								
Health and Leisure Centres 2017/18	Jan-18	SM (H&L)	Limited*	35 (5)	0 (0)	0 (0)	32 (5)	3 (0)
Resident Involvement 2017/18	Jan-18	SM (EM&S)	Reasonable*	4 (0)	0 (0)	1 (0)	3 (0)	0 (0)
Income 2017/18	Mar-18	SM (BI&CS)	Reasonable*	10 (0)	0 (0)	1 (0)	8 (0)	1 (0)
Sundry Income (AR) 2017/18	Mar-18	HoF	Substantial*	5 (0)	0 (0)	0 (0)	4 (0)	1 (0)
Payroll (inc NFNPA testing, T&S Members, Allowances & Expenses) 2017/18	Jul-18	HoF / SM (HR)	Reasonable*	2 (0)	0 (0)	1 (0)	1 (0)	0 (0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Vehicle and Plant Maintenance/Transport & Fleet Management System 2017/18 **	Jul-18	SM (W&T)	Reasonable*	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Environmental Services - Trade Waste	Oct -18	SM (W&T)	Limited	18 (5)	0 (0)	18 (5)	0 (0)	0 (0)
Accounts Payable **	Nov- 18	HoF	Adequate	3 (0)	0 (0)	0 (0)	3 (0)	0 (0)
Information Governance	Jan-19	SM (L)	Adequate	2 (1)	0 (0)	1 (0)	1 (1)	0 (0)
ICT Programme / Project Management	Jan-19	SM (ICT)	Adequate	6 (0)	0 (0)	1 (0)	1 (0)	4 (0)
Ethical Governance	Mar-19	SM (DS&MS)	Adequate	2 (0)	0 (0)	2 (0)	0 (0)	0 (0)
Risk Management	Mar-19	SM (BI&CS)	Adequate	1 (0)	0 (0)	1 (0)	0 (0)	0 (0)

* Please see Annex A for the audit assurance opinion definitions in place prior to SIAP

** Denotes audits where all actions have been completed since the last progress report

Audit Sponsor	
Service Manager (Business Improvement & Customer Services)	SM (BI&CS)
Head of Finance	HoF
Service Manager (Estates & Valuation)	SM (E&V)
Service Manager (Human Resources)	SM (HR)
Service Manager (Legal)	SM(L)
Service Manager (Democratic Services & Member Support)	SM (DS&MS)
Service Manager (Estate Management & Support)	SM (EM&S)
Service Manager (Revenues & Benefits)	SM (R&B)
Service Manager (ICT)	SM (ICT)
Service Manager (Housing Options)	SM (HO)
Service Manager (Housing Maintenance)	SM (HM)
Service Manager (Environmental & Regulation)	SM (E&R)
Service Manager (Health & Leisure)	SM (H&L)
Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Coastal & Public Facilities)	SM (C&PF)
Service Manager (Open Spaces)	SM (OS)

5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There are no new reports published concluding a ‘Limited’ or ‘No’ assurance opinion.

6. Planning & Resourcing

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

The Internal Audit Plan for 2018-19 was discussed by EMT on 20 February 2018 and approved by the Audit Committee on 23 March 2018. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Corporate / Cross Cutting									
Programme and Project Management	SM (BI&CS)	✓	✓	✓				✓	
Financial Stability	HoF	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Income Generation & Commercialisation	SM (E&V)	✓	✓	✓				✓	
Working in Partnership	SM (BI&CS)	✓	✓	✓				✓	
Corporate Governance									
Human Resources	SM (HR)	✓	✓	✓				✓	
Fraud & Irregularities	HoF	✓	n/a	✓	n/a	n/a	n/a	✓	
Procurement	SM (L)	✓	✓	✓				✓	
Contract Management	SM (L)	✓	✓	✓				✓	
Information Governance	SM (L)	✓	✓	✓	✓	✓	Adequate	✓	
Ethical Governance	SM (DS&MS)	✓	✓	✓	✓	✓	Adequate	✓	
Risk Management	SM (BI&CS)	✓	✓	✓	✓	✓	Adequate	✓	
Financial Management									
Housing Rents	SM (EM&S)	✓	✓	✓	✓	✓	Substantial	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Housing Benefits	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	
Council Tax	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	
Accounts Payable	HoF	✓	✓	✓	✓	✓	Adequate	✓	
Accounts Receivable / Debt Management	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	
Main Accounting	HoF	✓	✓	✓	✓			✓	
Treasury Management	HoF	✓	✓	✓	✓	✓	Substantial	✓	
NNDR	SM (R&B)	✓	✓	✓	✓	✓	Substantial	✓	
Payroll	HoF / SM (HR)	✓	✓	✓				✓	
Income Collection	SM (BI&CS)	✓	✓	✓				✓	
Information Technology									
IT Strategy and assurance mapping	SM (ICT)	✓	n/a	✓	n/a	n/a	n/a	✓	
Business Continuity / Disaster Recovery Planning	SM (ICT)	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Fieldwork	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
ICT Programme / Project Management	SM (ICT)	✓	✓	✓	✓	✓	Adequate	✓	
PCI DSS (Kiosks)	SM (ICT)	✓	n/a	✓	n/a	n/a	n/a	✓	Advisory role
PCI DSS (Phones)	SM (ICT)	✓	n/a	✓	n/a	n/a	n/a	✓	Advisory role
Portfolio Themes									
Homelessness & Affordable Housing	SM (HO)	✓	✓	✓				✓	
Housing Asset Management	SM (HM)	✓	✓	✓				✓	
Housing Maintenance (End to end process review)	SM (HM)	✓	✓	✓				✓	
Housing Finance	SM (EM&S)	✓	✓	✓				✓	
Disabled Adaptation Funding	SM (E&R)	✓	✓	✓	✓	✓	Adequate	✓	
Health & Leisure Facilities	SM (H&L)	✓	✓	✓				✓	
Environmental Services - Trade Waste	SM (W&T)	✓	✓	✓	✓	✓	Limited	✓	
Development / Building Control	SM (C&PF)	✓	✓	✓				✓	

Annex A

Audit Assurance Opinion Definitions in place prior to SIAP

Substantial - A strong system of internal controls, designed and operating effectively.

Reasonable - A sound system of internal controls; but one where minor weaknesses were found in the system design, or lack of compliance to the design;

Limited - Some weakness was identified in the overall system of controls, or the level of compliance resulted in risk to the achievement of system objectives;

No - Fundamental weakness was identified within one or more key controls, or controls were not operating effectively which may put at risk the achievement of the corporate control objective.

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EMT 19 MARCH 2019
AUDIT COMMITTEE – 29 MARCH 2019

INTERNAL AUDIT PLAN 2019/20

1. INTRODUCTION

- 1.1 The purpose of this paper is to provide the Audit Committee with the Internal Audit Plan 2019-20 (Appendix 1) for New Forest District Council.
- 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. SUMMARY

- 2.1 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.
- 2.2 To ensure the Internal Audit Plan is aligned to the needs of the Council, the plan has been developed following consultation with Service Managers and the Executive Management Team. A review of key documents including the Corporate Plan; Strategic and Service Risk Registers; and our understanding of the organisation and key priorities for 2019-20 have underpinned the development of the plan.
- 2.3 The Internal Audit Plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Chief Internal Auditor's continued contact and liaison with the Executive Management Team and the Audit Committee.
- 2.4 The Council's 'internal audit charter' ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Executive Management Team.

3. FINANCIAL IMPLICATIONS

- 3.1 The audit plan consists of 470 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2019/20 reflects these arrangements.

4. CRIME AND DISORDER IMPLICATIONS

- 4.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.
- 4.2. The Council employs a Corporate Fraud Officer who is responsible for providing both reactive fraud and irregularity investigations and proactive fraud work. As the Internal Audit provider, the Southern Internal Audit Partnership (SIAP) will monitor the outcomes of this work and will review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis.

5. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

- 5.1 There are no matters arising directly from this report.

6. RECOMMENDATION

- 6.1 It is recommended the Audit Committee approve the Internal Audit Plan 2019/20.

For Further Information Please Contact:
Antony Harvey
Deputy Head of Partnership (SIAP)
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E-mail: antony.harvey@hants.gov.uk

Background Papers:
None

Internal Audit Plan

2019-20

New Forest District Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of 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’.

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 the Executive Management Team and the Audit Committee.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership (SIAP). The team will be led by Antony Harvey, Deputy Head of Partnership, supported by Amanda Chalmers, 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 2015 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.

In considering all sources of evidence the external assessment team concluded:

*'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. **This performance is within the top decile of EQA reviews we have performed.** This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.'*

*There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

Conflicts of Interest

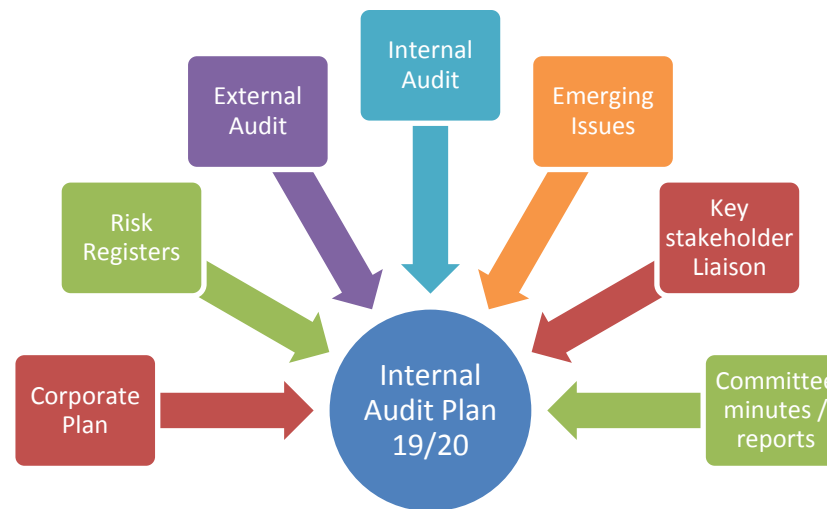
We are not aware of any relationships that may affect the independence and objectivity of the team, which are required to be disclosed under internal auditing standards.

Developing the internal audit plan 2019/20

The audit plan has been developed having regard to the Council's 'Vision, Priorities and Values' and the Council's risk management framework. Based on our review of key corporate documents and our understanding of the organisation SIAP have developed an audit plan for the coming year (2019/20) which includes a projected high level strategic plan (2019 – 2022).

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Council Vision, Priorities and Values

The 'Corporate Plan' outlines New Forest District Council's vision, priorities and values over the period 2016 – 2020.

Vision:

To secure a better future for the New Forest by:

- Supporting local businesses to prosper for the benefit of the community
- Assisting the wellbeing of those people who live and work within the district
- Protecting the special and unique character of the New Forest

Priorities:













Values:





We will be **ambitious** in our desire to work for and with our local communities. We are **financially responsible** with the public funds made available to us and we will be **innovative** and **customer focused** in how we improve outcomes for our community. We will be **collaborative** in our working, and are **proud** to work for and with others to represent the best interests of our unique and special place. We will be **open** in our approach and with our plans to deliver our aims and priorities.

Council Risk



The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the Strategic and Service Risk Registers closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.




No	Risk Area	Corporate Plan Priority
SR1	Economic and demographic conditions limit growth and employment in the district and local business fails to prosper.	
SR2	Continued pressure on council finances results in an inability to deliver priorities and services.	 
SR3	Unable to provide more housing to help meet the needs of the district.	  
SR4	Health & Wellbeing needs of the residents are not met.	
SR5	Unable to protect the natural beauty of the coastline and safeguard local residents	 
SR6	External pressure for development fails to recognise and protect the special and unique character of the New Forest.	





Internal Audit Plan 2019-22















Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
<i>Corporate Cross Cutting</i>						
Corporate Plan	Coverage over the audit cycle to consider governance, planning and development, performance frameworks, timely achievement of desired outcomes and benefits realisation against anticipated success measures.	SR1 - SR6		✓	✓	✓
Programme & Project Management	Assurance over project management framework and compliance in relation to live / ongoing projects in the delivery of ongoing initiatives.	SR1 - SR6			✓	
Transformation	Governance of transformation initiatives. Coverage over the audit cycle to include: <ul style="list-style-type: none"> • Resource management • Process review • Benefits realisation • Advice/support to individual workstreams 	SR1 - SR6		✓	✓	✓
Financial Stability	Assurance over the management of financial risks e.g. assumptions made for medium term financial projections, financial planning and relationship with in-year budgets.	SR1 - SR6		✓	✓	✓



Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Digital Agenda	To review the process and transition to digitalised initiatives.	SR1 - SR6			✓	
Income Generation & Commercialisation	Effectiveness of income generation / maximisation (rental income and leases, optimal use of subsidies, fees and charges). Review of relevant strategies.	SR1, SR2			✓	
Working in Partnership	Assurance over governance, rights of access, third party assurance, contingency arrangements, exit strategies, hosting arrangements (accountabilities), benefits realisation.	SR1 - SR6			✓	
Asset Management	Assurance over effectiveness and delivery of the Asset Management Plan including repairs and maintenance to non-housing assets (planned & reactive).	-		✓		✓
Information Governance	Assurance over information governance arrangements to include DPA, FOI, Transparency and General Data Protection Regulations (GDPR).	SR1 - SR6		✓	✓	✓
<i>Governance</i>						
Procurement	Assurance over compliance with contract procedure rules and legislative requirements.	SR1, SR2			✓	

















Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Contract Management	Review of contract management arrangements and compliance across a selection of 'key contracts'.	SR2			✓	
HR	Assurances over the audit cycle to include: <ul style="list-style-type: none"> • Performance Management • Absence Management • Recruitment • Training & Development • Workforce Strategy / Development • Flexible Working • Volunteers. 	SR1, SR2		✓	✓	✓
Fraud & Irregularities	Cyclical assurance over the governance arrangements to prevent, detect and investigate fraud and irregularities. Annual provision to monitor the outcomes from proactive / reactive fraud work undertaken directly by the Council.	SR1, SR2		✓	✓	✓
Health & Safety	Effective H&S strategy in place and operating effectively with effective governance, accountability and issue resolution.	SR4		✓		✓
Ethical Governance	Assurance over framework for ethical governance including declarations of interest, gifts & hospitality and ethical considerations in decision making.	-				✓




















Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Business Continuity & Emergency Planning	Assurance over plans to recover services after a major incident / planning for extreme events that may lead to delays in responding to situations and failure to deliver services	SR1 - SR6		✓		✓
Risk Management	Assurance over the risk management framework including governance, transparency and maturity.	SR1 - SR6			✓	
<i>Core Financial Systems</i>						
Housing rents					✓	
Housing Benefits						✓
Council Tax						✓
Accounts Payable	Coverage to complement external audit / regulatory requirements and management concerns – coverage through a mixture of ‘full service’ and ‘walkthrough’ reviews.	SR1, SR2		✓	✓	✓
Accounts Receivable / Debt Management				✓	✓	✓
Main Accounting				✓	✓	✓
Treasury Management						✓
NNDR					✓	

Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Payroll				✓	✓	✓
Income Collection				✓	✓	✓
Taxation (VAT)				✓		
New finance system implementation	Provision for advice and assurance for the implementation of the new financial system including system controls, separation of duties, data migration etc.	SR1, SR2		✓		
<i>ICT</i>						
IT Strategy and assurance mapping	Effective delivery of the IT Strategy.	SR2				✓
PCI DSS Advice	Provision for advice and support for PCI DSS compliance	SR2		✓	✓	
Software licencing / management of assets	Effective and efficient software licencing and management of IT assets.	SR2		✓		
Cyber security	Assurance against the defence of physical / information assets which could be compromised using information technology.	SR2		✓		

Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Business Continuity / Disaster Recovery Planning	Assurance that arrangements are in place to maintain effective IT capability in the event of IT interruption / failure.	SR2	 	✓		
Service Desk and Incident Management	End to end BAU process for managing incidents and problems. Including first time fix rates, user self service options.	SR2	 	✓		
Network management	Assurance over the management of the Network.	SR2	 			Timing to be confirmed based upon the implementation of the ICT strategy
Applications management	Assurance over inputs, processing, outputs, access controls, interfaces etc.	SR2	 			
Data security and management	Review the arrangements for a sample of areas e.g. Network Security and Cloud Computing.	SR2	 			
IT Infrastructure & Maintenance	Infrastructure is sufficient and fit for purpose to meet the future needs of the organisation.	SR2	 			
Mobile devices	Assurance over retention, data security, use of own devices, remote working arrangements.	SR2	 			
<i>Portfolio Themes</i>						
<i>Finance, Corporate Services and Improvement Portfolio</i>						

Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Democratic Services	Support and guidance to members and electoral registration / elections.	-	-		✓	
Fleet Management	Administration, procurement and maintenance of the council's vehicle fleet.	-		✓		✓
<i>Housing Portfolio</i>						
Homelessness & Affordable Housing	Assurances over delivery & allocation of affordable housing (rent, buy, shared ownership) to achieve corporate outcomes.	SR3		✓		✓
Housing Asset Management	Coverage over the audit cycle to provide assurances over process and delivery of repairs & maintenance, voids, Decent Homes Standards.	SR3		✓	✓	✓
Housing Finance	Assurance over delivery, process and procedure in place to address legislative change within the Housing & Planning Act 2016.	SR3		✓	✓	✓
HMOs / Housing enforcement	Assurances over the registration of HMOs, inspection and enforcement of housing legislation	SR3			✓	
Disabled Facility Grants	Administration and compliance with local / legislative requirements.	SR3			✓	

Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
<i>Leisure and Wellbeing Portfolio</i>						
Health & Leisure Facilities	Thematic reviews based on areas of significant risk.	-	 		✓	✓
Sports & Health Development	Partnership working and deliverables against service objectives (cost reduction & maximising outcomes for the customer).	-	  	✓		
<i>Environment and Regulatory Services Portfolio</i>						
Environmental Services	To review refuse collection, recycling & street cleansing in accordance with the Waste Management Strategy. Follow up of actions arising from 18/19 audit	-	  	✓	✓	✓
Environmental Management & Climate Change	Assurance of strategy, policies, procedures and outcomes. Emphasis on coastal maintenance & partnership working (beach huts & moorings picked up in income collection review).	-	   		✓	
Environmental Health	To include dog control, pest control, commercial.	-	 	✓		
Licensing	Assurances over safeguarding, income, application process and monitoring.	-	 	✓		✓

Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Open Spaces	Maintenance & management of the development of open spaces	-	 	No proposed coverage at this stage however each service area will be risk assessed each year with plans updated accordingly if risks change.		
Public Conveniences	Programme of refurbishment and maintenance	-	 			
Cemeteries	Delivery of mandatory service requirements and acquisition of new site(s)	-	 			
Grounds / Tree Maintenance	Delivery of works (including highways, housing, civic etc.)	-			✓	
<i>Planning and Infrastructure Portfolio</i>						
Development / Building Control	Review of policy and processes to meet mandatory requirements and future service demands.	-	   			✓
Planning (incl. Community Infrastructure Levy)	Assurance over legislative compliance and conformance to local policy and procedure. Also to include assurance over the effective utilisation of CIL.	-	   	✓		✓
Parking & Enforcement	Income / reconciliations. To include administration of FPN's	-	   	✓		✓

Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Land Charges	Maintenance of register & timely response to official searches.	-		✓		
<i>Community Affairs Portfolio</i>						
Grants & Returns	Assurance over the issuing of grants and certification work in respect of grants received.	-		✓	✓	✓
Community Safety	Assurance over the fulfilment of the mandatory functions and review of external provider arrangements	-		✓		
<i>Local Economic Development, Property and Innovation</i>						
Economic Development	Review new business strategy and delivery including processes and outcomes (review to remain cognisant of Local Plan).	SR1			✓	
<i>Other</i>						
Establishment reviews	Thematic reviews on outlying establishments/offices based on areas of significant risk.	-		✓	✓	✓
National Park Authority	Fulfilment of agreed SLAs.	-		✓	✓	✓

Audit	Scope	Strategic Risk	Corporate Priority	19-20	20-21	21-22
Management	Planning, reporting, Audit Committee, Monitoring, Liaison and Advice	-	-	✓	✓	✓
Total Days				470	470	470

EMT 19 MARCH 2019
AUDIT COMMITTEE – 29 MARCH 2019

INTERNAL AUDIT CHARTER 2019/20

1. INTRODUCTION

- 1.1. The purpose of this paper is to provide the Audit Committee with the Internal Audit Charter for 2019/20.
- 1.2. The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards [the Standards].

2. SUMMARY

- 2.1. With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the Standards – updated 2017).
- 2.2. Within the Standards there is a requirement for an Internal Audit Charter - a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached at Appendix 1.
- 2.3. The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as
'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee'.

3. FINANCIAL IMPLICATIONS

- 3.1. The audit plan consists of 470 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2019/20 reflects these arrangements.

4. CRIME AND DISORDER IMPLICATIONS

- 4.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness, unacceptable risks or governance failings as well as the increased potential for error and fraud.
- 4.2. The Council employs a Corporate Fraud Officer who is responsible for providing both reactive fraud and irregularity investigations and proactive fraud work. As the Internal Audit provider, the Southern Internal Audit Partnership (SIAP) will monitor the outcomes of this work and will review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis.

5. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

5.1. There are no matters arising directly from this report.

6. RECOMMENDATION

6.1. It is recommended the Audit Committee approve the Internal Audit Charter 2019/20.

For Further Information Please Contact:

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Background Papers:

None

Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes the mission; core principles; definition of internal audit; and Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

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 adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

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 organisations objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

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'

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within New Forest District Council lies with the Head of Finance as the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership (SIAP).

The Chief Internal Auditor - Deputy Head of Partnership (SIAP) is responsible for effectively managing the internal audit activity in accordance with the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the Standards'*.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Executive Management Team.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Head of Finance who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (Chartered Member of the Institute of Internal Auditors - CMIIA, Consultative Committee of Accountancy Bodies - CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Head of Finance will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'*Senior Management*' and '*the Board*' will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to '*Senior Management*' and '*the Board*', for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to '*Senior Management*' and '*the Board*'.

If the Chief Internal Auditor, '*the Board*' or '*Senior Management*' consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Head of Finance accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'Senior Management'* and *'the Board'*;
- reports functionally to *'the Board'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the *'Mission'*, *'Core Principles'*, *'Definition of Internal Auditing'*, the *'Code of Ethics'* and the *'Standards'* and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor who will inform relevant officers in accordance with the Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the Southern Internal Audit Partnership. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

The Council employs a Corporate Fraud Officer who is responsible for providing both reactive fraud and irregularity investigations and proactive fraud work, including participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity. The Corporate Fraud Officer will inform SIAP of the outcomes of all reactive fraud and irregularity investigations and proactive fraud work on a regular basis. SIAP will monitor the outcomes of this work and will review the governance arrangements to prevent, detect and investigate fraud and irregularities on a cyclical basis.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council it is imperative that the Executive Management Team are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to '*Senior Management*' and '*the Board*' for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partner:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority Lymington & Pennington Town Council Ringwood Town Council <i>Higher Education Institutions</i> University of Winchester <i>Further Education Institutions</i> Eastleigh; Highbury; Isle of Wight College; Itchen; and Portsmouth. <i>Charitable Organisations</i> VTCT

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti-Fraud, Bribery and Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

EMT - 19 MARCH 2019

PORTFOLIO - ALL

AUDIT COMMITTEE – 29 MARCH 2019

RISK UPDATE

1. INTRODUCTION AND PURPOSE

- 1.1 The Council's risk management framework is made up of a number of elements largely embedded in existing processes. In addition to strategic risk management, illustrated through the strategy and strategic risk register, it includes work place health and safety, ICT disaster recovery, business continuity planning and operational risk management including the provision of third party insurance cover and claims handling. Risk is also routinely considered as part of performance management framework with service and budget planning giving consideration to challenges for each portfolio.
- 1.2 The purpose of this report is to provide EMT and the Audit Committee with an opportunity to review the strategic risk register and to receive an update on risk management arrangements.

2. BACKGROUND

- 2.1 Risk management aims to identify the significant risks that may impact on the Council achieving its objectives. Its purpose is to evaluate, design and implement effective measures to reduce both the likelihood and potential impact of these risks occurring.
- 2.2 The Council has a statutory responsibility to have in place arrangements for managing risks under the Accounts and Audit Regulations 2003 which require a sound system of internal control which facilitates the effective exercise of the body's functions and includes arrangements for the management of risk. As such it features strongly in the Council's Local Code of Practice for Corporate Governance and is one of the primary assurance strands in the Annual Governance Statement which places significant reliance on a robust risk management framework.

3. STRATEGIC RISK REGISTER

- 3.1 The Strategic Risk Register (Appendix 1) summarises the most significant risks to the delivery of Our Corporate Plan and the proposed actions to mitigate these risks. The mitigation offered is closely aligned to portfolio resource and service plans and in some cases relies on working with partners to help achieve the objectives. Other service specific risks and their analysis are considered in individual Service Risk Registers.
- 3.2 The Strategic Risk Register will need to be fundamentally reviewed during 2019/20 to reflect the new corporate plan.

4. INSURANCE ARRANGEMENTS

- 4.1 The council spends in excess of £600,000 per annum on insurance over a number of policies types including casualty, motor, property and various indemnities. The main classes of insurance are with multiple insurers as set out in the table below and these

existing arrangements, agreed in 2015 as part of the Hampshire collaborative procurement, are coming in to the final year. During 2019/20 a new procurement exercise will be undertaken.

Class of Insurance	Insurer
Property Damage/Business Interruption	Allianz
Property Owners	Allianz
Property Damage/Business Interruption (Right to buy)	Ocaso
Computer	Allianz
Terrorism	Catlin
Combined (Employers) Liability	QBE
Official's Indemnity	QBE
Professional Indemnity	QBE
Motor	QBE

- 4.2 Fidelity guarantee, personal accident cover and engineering inspection continues to be provided by Zurich Municipal who also place policies for Marine and Vessels on our behalf with third party insurers (Willis Marine and Navigators & General).
- 4.3 Terms for the 2019/20 renewal are due to be considered and agreed at the end of March and a further report on insurance, including performance and options for future procurement will be brought back to the audit committee in June 2019.

5. RISK MANAGEMENT ASSURANCE

- 5.1 Risk Management has recently been reviewed by Internal Audit to ensure the following objectives are met:
- Management and operational responsibilities are clearly defined and supported by documented frameworks, policies and procedures;
 - Controls are in place to manage the risk identified, are documented, and these controls are tested and verified to ensure continued reliance can be placed upon them;
 - Operational risks have been identified, are documented, with risk registers being regularly reviewed, monitored and updated; and
 - The authority's risk management activities are reported to senior management and Councillors.
- 5.2 The assurance opinion of the audit has been classified as adequate concluding that a sound framework of internal control, with opportunities to improve controls and/or compliance with the control framework exists and no significant risks to the achievement of the objectives have been identified.
- 5.3 'Added value' recommendations were made in respect of risk registers linking to the corporate plan; cross directorate checking of registers to identify common risk; and

committee reports explicitly confirming that risks, and associated mitigation, has been identified.

- 5.4 These recommendation will be considered along with a review of the performance management framework and development of the new corporate plan.

6. FINANCIAL IMPLICATIONS

- 6.1 There are none arising directly from this report although good risk management contributes to our ability to minimise insurance premium.

7. EQUALITY & DIVERSITY, ENVIRONMENTAL AND CRIME & DISORDER IMPLICATIONS

- 7.1 There are none arising directly from this report.

8. RECOMMENDATIONS







It is recommended that EMT/the Committee:

- 8.1 Consider and note the contents of this report.

For Further Information Please Contact: Background Papers:

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Portfolio	High Risk Areas Identified	Corporate Plan Priority	To Mitigate these risks the Council will:
<p>Leader’s</p>	<p>Economic and demographic conditions limit growth and employment in the district and local business fails to prosper</p>	 <p><i>Helping local business grow</i></p>	<ul style="list-style-type: none"> ▪ Continue to review with partners, including the New Forest Business Partnership, the best way to support local businesses in the future ▪ Work with the relevant Local Enterprise Partnerships (LEPs) to the benefit of the district ▪ Progress the local plan for approval
<p>Finance & Efficiency</p>	<p>Continued pressure on council finances results in an inability to deliver priorities and services</p>	 <p><i>Living within our means</i></p>  <p><i>Service outcomes for the community</i></p>	<ul style="list-style-type: none"> ▪ Continue to develop a Medium Term Financial Plan that delivers the Council’s priorities ▪ Undertake a programme of service reviews to ensure value for money and fundamentally assess delivery options ▪ Introduce stabilisation targets to manage budgets within existing resources ▪ Support an asset management strategy that optimises asset use and identifies revenue opportunities
<p>Housing & Communities</p>	<p>Unable to provide more housing to help meet the needs of the district</p>	 <p><i>More homes for local people</i></p>  <p><i>Working with others to achieve more</i></p>  <p><i>Service outcomes for the community</i></p>	<ul style="list-style-type: none"> ▪ Have in place a local plan which identifies sites for housing development ▪ Have in place a Housing Strategy to include meeting future needs through remodelling of existing stock, stock acquisition and building ▪ Continue to work with partner Registered Providers to deliver additional homes in the District
<p>Health & Leisure</p>	<p>Health and wellbeing needs of residents are not met</p>	<p><i>Service outcomes for the community</i></p>	<ul style="list-style-type: none"> ▪ Fundamentally review and challenge existing health and leisure arrangements to through procurement of an operator to maximise



outcomes for the council and the customer in the longer term

Environment

Unable to protect the natural beauty of the coastline and safeguard local residents



Protecting the local character of our place



Service outcomes for the community

- Continue to review and update a coastal maintenance programme identifying priority projects
- Undertake agreed coastal maintenance studies and work with elected members to identify alternative sources of funding

Planning & Transportation

External pressure for development fails to recognise and protect the special and unique character of the New Forest



Protecting the local character of our place

- Seek approval for a new local plan which fully reflects the requirements of the National Planning Policy Framework

Audit Committee Work Plan 2019/20

DATE	WORK / REPORTS
31 May 2019	Treasury Management Out-turn Report 20/08/19 Local Code of Good Governance Review Draft Annual Governance Statement Draft Annual Financial Report Fraud Update Report Final Accounts Bad Debts Write-offs 20/08/19 Procurement Waivers 2018/19 Annual Internal Audit and Opinion Report 2018/19
26 July 2019	Audit Results Report 2018/19 Annual Governance Statement 2018/19 Annual Financial Report 2018/19

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