

Internal Audit Progress Report

January 2015

Hampshire Pension Fund



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

1.	Role of Internal Audit	3
2.	Purpose of report	4
3.	Performance dashboard	5
4.	Status of 'live' reports	6
5.	Executive summaries 'Limited' and 'No' assurance opinions	7
6.	Fraud and Irregularities	7 - 8
7.	Planning and resourcing	8
8.	Rolling work programme	9

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2011, 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 2013 [the Standards].

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 County 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 County Council that these arrangements are in place and operating effectively.

The County 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.

2. Purpose of report

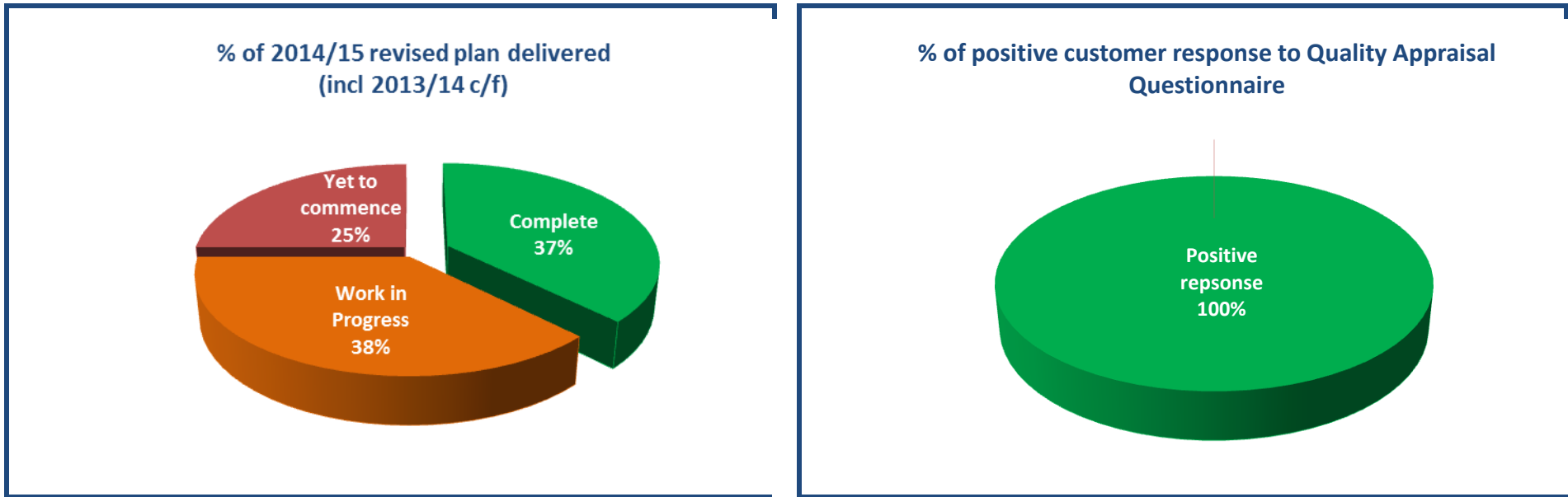
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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 a 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



Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>During 2013 – 14 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN. To provide independence to the process the self –assessment was reviewed by Hampshire County Council’s Monitoring Officer to ensure it presented a true and fair view.</p> <p>Independent analysis confirmed that the self-assessment provided <i>‘a fair assessment of the internal audit activity’</i></p>

4. Status of 'Live' Reports

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Pensions payroll and benefit calculations	28.04.14	CR	Substantial	Substantial	0 (0)	0 (0)	0 (0)	0 (0)
Pension Transfers (including Nationals)	01.05.14	CR	Substantial	Substantial	2 (0)	0 (0)	1 (0)	1 (0)
Member Deaths	17.06.14	CR	Adequate	Adequate	1 (0)	0 (0)	0 (0)	1 (0)

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

There have been no ‘limited’ or ‘no’ assurance reviews issued since the last progress report

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2014 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2014	01.04.14 – 31.01.15
Part 2 Requirements - Fraud	
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	3 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	1 day(s)*
Total number of fraud cases investigated	2**

*relates to internal audit staff across the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, Trading Standards, departmental investigating officers etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse - ‘the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.’*

Fraud Grant Funding

The DCLG have made available £16m to assist Councils in developing innovative and holistic initiatives to tackle the fight against fraud.

During the summer local authorities were invited to submit proposals for funding that would result in real financial savings through effective counter fraud activities. A successful bid from the Southern Internal Audit Partnership (one of only 59 approved from 164 applications) has resulted in funding of £72,000 being awarded to support initiatives in respect of fraud detection and prevention.

Funding acquired will contribute to the development of a generic fraud risk assessment framework to inform and educate of key fraud risks. This assessment will inform a programme of proactive fraud initiatives moving forward, targeting demonstrably high risk areas.

This will be supported by the use of data analytics to more strategically analyse higher risk areas in the identification and investigation of data giving rise to irregular activity or conflicts with other sources of information.

The legacy from funding will strengthen measures for both fraud detection and prevention through provision of a clear understanding and assessment of fraud threats and the establishment of data analytics as preventative measures to combat fraud through the real time sharing and matching of data and fraud intelligence.

7. Planning & Resourcing

The internal audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Progress against the plan is detailed within section 8

8. Rolling Work Programme

Learning Audit title	Audit Progress					
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Audit Plan 2014/15 (including 2013-14 Carry Forward)						
Pensions payroll and benefit calculations	✓	✓	✓	✓	✓	28.04.14
Pension transfers (including Nationals)	✓	✓	✓	✓	✓	01.05.14
Member deaths	✓	✓	✓	✓	✓	17.06.14
New system implementation	✓	✓	✓	✓		
Pensions payroll and benefit calculations	✓	✓	✓			
Accounting for assets / custodian services	✓	✓	✓			
Pension refunds	✓					
Governance arrangements	✓					