

Internal Audit Progress Report

November 2016

Hampshire County Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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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 – updated 2016 [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 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.

2. Purpose of report

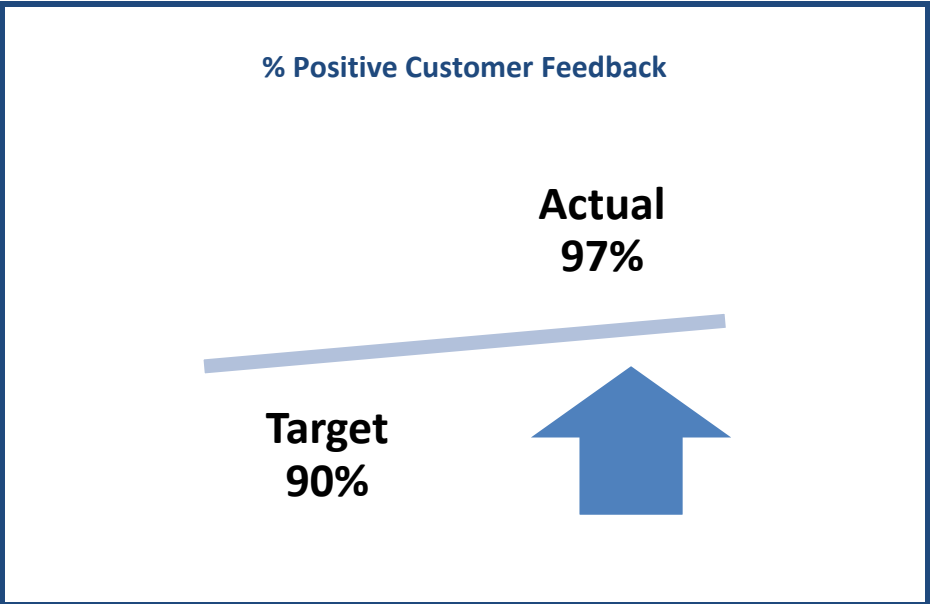
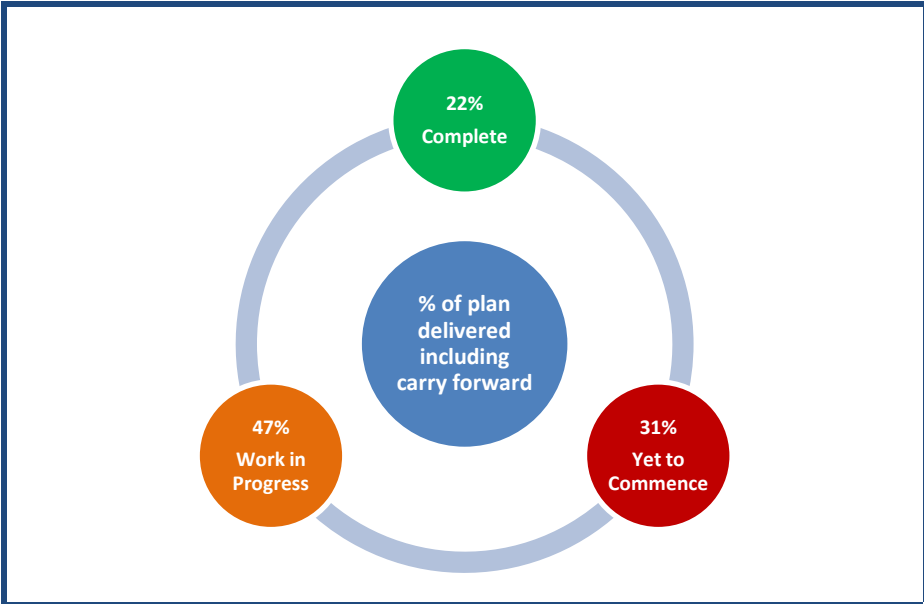
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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



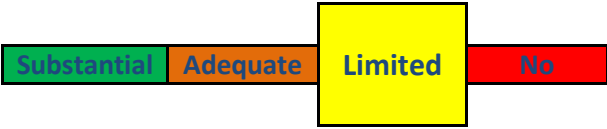
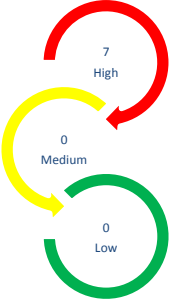
Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015. The report concluded:</p> <p><i>'It is our view that 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>

4. Status of 'Live' Reports

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Home to school transport	10.09.14	CS	Adequate	3(2)	0(0)	0(0)	2(2)	1(0)
District Working Arrangements	06.10.15	ETE	Limited	12(4)	0(0)	8(1)	4(3)	0(0)
Hatherden Primary	21.10.15	CS	No	29(14)	0(0)	0(0)	27(14)	2(0)
Registration of social workers	14.12.15	AS	Adequate	6(1)	0(0)	1(0)	5(1)	0(0)
Term engineering contract	23.12.15	CCBS	Limited	10(8)	0(0)	0(0)	9(7)	1(1)
Employment practices case work	22.01.16	CR	Adequate	5(4)	0(0)	0(0)	3(2)	2(2)
Local management of shared services	02.02.16	CR	Adequate	14(4)	0(0)	0(0)	12(4)	2(0)
Property strategic partners	17.02.16	CCBS	Adequate	1(0)	0(0)	1(0)	0(0)	0(0)
Linden Education Centre	22.03.16	CS	Limited	24(3)	0(0)	0(0)	23(3)	1(0)
Direct payments	05.05.16	AS	Limited	27(12)	0(0)	0(0)	24(12)	3(0)
IOW partnership	10.05.16	CS	Adequate	2(0)	0(0)	1(0)	0(0)	1(0)
Purchasing card strategy	06.06.16	CR	Adequate	4(1)	0(0)	0(0)	3(1)	1(0)
Solent LEP	06.06.16	ETE	Adequate	2(1)	0(0)	1(1)	0(0)	1(0)
Payroll	13.06.16	CR	Adequate	8(0)	0(0)	1(0)	7(0)	0(0)
Friends and Family	16.06.16	CS	Limited	31(23)	0(0)	0(0)	29(21)	2(2)
Capital programme	24.06.16	ETE	Adequate	3(0)	0(0)	1(0)	2(0)	0(0)
Primary behaviour service	28.06.16	CS	Limited	16(4)	0(0)	4(0)	12(4)	0(0)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Contract management – extra care housing provision for Surrey Court	06.07.16	AS	Limited	5(0)	0(0)	1(0)	0(0)	4(0)
Risk management	20.07.16	P&G	Adequate	6(6)	0(0)	0(0)	2(2)	4(4)
Governance arrangements – information management	21.07.16	CR	Adequate / Limited	31(11)	0(0)	10(1)	18(7)	3(3)
Equality impact assessment	22.07.16	T&G	Adequate	9(0)	0(0)	1(0)	6(0)	2(0)
Contract management – street lighting	29.9.16	ETE	Adequate	8(1)	0(0)	1(0)	7(1)	0(0)
Insurance Fund	19.10.16	T&G	Adequate	1(1)	0(0)	1(1)	0(0)	0(0)
Sold Services (Trading Standards)	25.10.16	CCBS	Adequate	5(0)	0(0)	5(0)	0(0)	0(0)
Master data team (shared services)	31.10.16	CR	Adequate	5(2)	0(0)	1(0)	4(2)	0(0)

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

School Thematic Review – Leasing and Insurance		
<p>Directorate Sponsor: Director of Children’s Services</p> <p>Key Contacts: Brian Pope, Assistant Director, Education and Inclusion; Felicity Roe, Assistant Director, Performance and Resources; Andrew Minall, Business Partner (Schools); David Hardcastle, County Education Manager, School Improvement; Andrew Boutflower, Deputy Investments and Borrowing Manager; Sarah Richards, Legal Team Leader.</p> <p>Final Report Issued: 5 October 2016</p>	<p>Assurance opinion:</p> 	<p>Management Actions:</p> 
<p>Summary of key observations: Ten schools with lease or similar arrangements in place were selected to visit for this review.</p> <p>Key issues arising from this review were:</p> <ul style="list-style-type: none"> • Not all schools had sought appropriate advice before entering into agreements, resulting in inappropriate finance leasing agreements. • It was not always possible to obtain evidence that leases or other agreements had been approved by Governors. • Evidence was not always available to demonstrate that quotations / tenders had been obtained as required by the County Council’s Contract Standing Orders, prior to entering into a leasing arrangement. • Not all schools had adequate insurance arrangements in place for equipment not owned by them. • Where non approved suppliers had been used, evidence was not always retained to show that appropriate public liability insurance was in place. • The County Council has organised an insurance policy for public liability during the course of a letting. To be valid this requires the hirer’s signature on the hire agreement and for the majority of schools this was either not obtained or was out of date. <p>All management actions raised to mitigate identified risks have been implemented.</p>		

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2015 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2015	01.04.16 – 31.10.16
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	4 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	41 days
Total number of fraud cases investigated	7

*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.'*

7. Planning & Resourcing

The internal audit plan for 2016/17 was approved by the Council’s Management Team and the Audit Committee in June 2016.

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 8

8. Rolling Work Programme

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
2016/17 plan (Inc. 2015/16 carry forward)									
Sold services - IT	CR	✓	✓	✓	✓	21/9/16	Substantial	✓	
Sold services – Trading Standards	CCBS	✓	✓	✓	✓	25/10/16	Adequate	✓	
IBC/SAP	CR	✓	✓	✓	✓	23/6/16	Adequate	✓	
Contract management – Street Lighting	ETE	✓	✓	✓	✓	29/9/16	Adequate	✓	
School thematic– Procurement (leasing CIS etc)	CS	✓	✓	✓	✓	5/10/16	Limited	✓	
Care Leavers	CS	✓	✓	✓	✓				
Section 38 Road Making Agreements	ETE	✓	✓	✓	✓				

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Business units – scientific services	CCBS	✓	✓	✓	✓			✗	Draft issued 5/8/16 – awaiting management response
Governance Arrangements – information management (shared services)	CR	✓	✓	✓	✓	21/7/16	Adequate (core network and SAP security) / Limited (non automated procedures and processes)	✓	
User Access	CR	✓	✓	✓	✓	25/7/16	Adequate	✓	
Category Management	CR	✓	✓	✓	✓			✗	Draft issued 21/6/16 – management actions being clarified
Electronic care monitoring system	AS	✓	✓	✓	✓			✗	Draft report issued 29/9/16 – awaiting management response
Traded Services	CCBS							✓	
Transformation	T&G	✓						✓	
Equality impact assessments	T&G	✓	✓	✓	✓	22/9/16	Adequate	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Information management	T&G							✓	
Health and safety	T&G	✓	✓	✓				✓	
Capital programme	Various	✓	✓	✓				✓	
Grants granted	T&G	✓	✓	✓				✓	
Information security	CR	✓						✓	
Local management of shared service processes	CR	✓						✓	
Risk management	T&G	✓						✓	
Insurance fund	T&G	✓	✓	✓	✓	19.10.16	Adequate	✓	
Decision making and accountability	T&G	✓	✓	✓	✓	21.7.16	Substantial	✓	
Annual Governance Statement	T&G							✓	
Annual self assessment against internal audit standards	CR							✓	
Assurance mapping	CR	✓						✓	
Capacity planning and management	CR	✓	✓	✓	✓	2.8.16	Adequate	✓	
Business applications – swift, AIS, ICS	CR	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Business applications - EDDIE	CR	✓	✓	✓	✓			✓	
IT governance	CR							✓	
Remote working solutions	CR	✓	✓	✓				✓	
IT assurance mapping	CR							✓	
IT business continuity and disaster recovery	CR							✓	
Public Services Network (PSN)	CR							✓	
ISO27001 testing	CR							✓	
Virtualisation	CR	✓	✓	✓				✓	
Data Centre security	CR	✓	✓					✓	
Cyber essentials scheme	CR	n/a	n/a	✓	n/a	✓	Briefing note – no opinion	✓	
Safeguarding - children	CS							✓	
Safeguarding - Adults	AS	✓	✓	✓				✓	
School thematic review – financial planning	CS	✓	✓	✓	✓			✓	
School thematic review – safeguarding	CS							✓	
Data analytics (schools)	CS							✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Kingsworthy Primary School	CS	✓	✓	✓	✓	26/9/16	Adequate	✓	
Hatherden Primary School	CS	✓	✓					✓	
SFVS – assurance statement	CS	n/a	n/a	✓	n/a	✓	Return certified	✓	
SFVS – analysis and spot checks	CS	n/a	n/a	✓				✓	
Home to school transport	CS	✓	✓	✓				✓	
Services for young children	CS							✓	
SEN and specialist advisory teachers	CS							✓	
Education for children looked after	CS							✓	
Troubled families - claims	T&G	n/a	n/a	✓	n/a			✓	
PLO and court processes	CS							✓	
Reg 24 and Special Guardianship Orders (SGO's)	CS							✓	
Adult Services establishment thematic review – revalidation of nursing staff / training of staff	AS	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Adult Services establishment thematic review – medicine control in LD units	AS	✓	✓	✓				✓	
Adult Services establishment thematic review – incident reporting	AS							✓	
Direct payments	AS	✓	✓	✓	✓			✗	Draft final report issued 6/10/16 and awaiting clearance
High cost placements	AS	✓	✓	✓				✓	
Social care reform / implementation of the Care Act	AS							✓	
Extra care housing	AS							✓	
Data quality on AIS	AS							✓	
Hampshire health record	AS	✓	✓					✓	
Care at home – dom care providers / transition of clients to new care providers	AS	✓						✓	
Occupational therapists	AS	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Discharge to Assess Beds	AS	✓						✓	
Respite for learning disability / physical disability	AS							✓	
Learning disability – phase 2 of transition to new providers	AS	✓	✓	✓	✓			✗	Draft report issued 14/10/16 – awaiting management response
Quality outcomes contract monitoring (QOCM) – quality of service providers	AS	✓	✓	✓				✓	
Provider Failure Policy	AS							✓	
Multi Agency Safeguarding Hub (MASH)	AS	✓						✓	
Benefits realisation stream of T17	AS							✓	
Enterprise M3 LEP – accountable body arrangements	CCBS	✓	✓					✓	
CCBS establishment thematic review	CCBS	✓	✓	✓				✓	
Concessionary fares	ETE							✓	
Regeneration	ETE	✓						✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Tourism	ETE							✓	
Business units – Hampshire Catering Services	CCBS	✓	✓	✓				✓	
Property traded services strategy	CCBS	✓						✓	
Property management	CCBS							✓	
Construction health and safety	CCBS	✓	✓	✓				✓	
Governance of pre-contract approvals	CCBS							✓	
Trading Standards	CCBS							✓	
Procurement strategy and process	T&G							✓	
Procurement – IT hardware	CCBS							✓	
Contract management - RTP1	ETE	✓	✓					✓	
Contract management – Provision of substance misuse services	AS								
Contract management – building cleaning and street scene cleaning	CCBS	✓	✓	✓				✓	
Contract management -	AS	✓	✓	✓				✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
REACT									
Contract management - broadband	CCBS	✓	✓	✓	✓	✓	Adequate	✓	
Contract management - intermediate Southern construction framework	CCBS	✓	✓	✓				✓	
Contract management - intelligent transport system	ETE							✓	
Contract management - household waste recycling centres	ETE	✓	✓	✓				✓	
Reading / Hampshire property partnership	CCBS	✓	✓	✓	✓	14.7.16	Substantial -transactions only	✓	
Grant certification – HCC local transport capital block funding (including pot hole funding)	ETE	-	-	-	-	✓	Grant certified	✓	
Grant certification – HCC local authority bus subsidy grant	ETE					✓	Grant certified	✓	
Grant certification – social care capital grant	AS	-	-	-	-	✓	Grant certified	✓	
Grant certification – disabled facilities grant	AS	-	-	-	-	✓	Grant certified	✓	

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Grant certification – LEP growth fund	ETE					✓	Grant Certified	✓	
Grant certification – HCC LD transformation capital grant	AS	-	-	-	-	✓	Grant certified	✓	
Shared Services									
Governance arrangements	CR	✓	n/a	✓	n/a	n/a	Briefing note for annual report purposes	✓	
Recruitment and induction	CR	✓	✓	✓				✓	
Payroll	CR	✓	✓	✓				✓	
Order to cash	CR	✓	✓	✓				✓	
Purchase to pay	CR	✓	✓	✓				✓	
Taxation	CR	✓	✓	✓				✓	
Master data team	CR	✓	✓	✓	✓	31/10/16	Adequate	✓	
Employer pensions responsibilities	CR	✓	✓	✓				✓	
Procurement – category management	CR							✓	
GSC implications (consultancy)	CR	✓	✓	✓				✓	

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the County Council. Below are the variations made to the original 16/17 audit plan approved by the Audit Committee in June 2016.

Plan Variations – schools not listed as variations as time was in originally	
Removed from the plan	Reason
Planning, budget monitoring and forecasting	Due to previous positive assurance levels and ongoing work on system enhancements.
Solent LEP	ERDF bid for funding was not successful for the project in scope for review.
NCP / decision making for complex needs	Deferred as there is currently a lot of work ongoing as part of T17 in this area.
Main accounting system	Substantial assurance given in 2014/15 and no changes to system
Adult Services establishments - support plans	Support plans are changing – defer to 2017/18 to assess how plans have embedded
Identity management	System will not be implemented until early 2017 – defer to 2017/18
Capital accounting / programme management	Not a common process for all partners – risk assess in partner plans
SAP operational basis	Team change control and SAP access recently covered in this area
HR team management	Information governance review covered risks identified
BACS	Delay in implementing new system – moved to 2017/18 to allow system to embed
Employer pension responsibilities - ABS	Full employer pension review remains in 2016/17 – smaller ABS aspect removed as change minimal.
Interfaces	Removed following discussion with Head of IT as covered in other audit areas
Management and governance of CFMT panels	To be covered by CSDMT T2019 work
CM – Sure Start Children’s Centres	Restructuring currently under way
CM – independent fostering agencies	Last year of contract and previous coverage by Ernst and Young and PCC.
Additions to the plan	Reason
Data quality on AIS	Deferred from 2015/16 at Adult Services’ request
Enterprise M3 LEP - governance	Deferred from 2015/16
ISO27001	Testing required to support the registration
Government Security Classifications (GSC)	Management request to review implications of GSC to HCC and partners.