

Internal Audit Progress Report

May 2015

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’ 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:

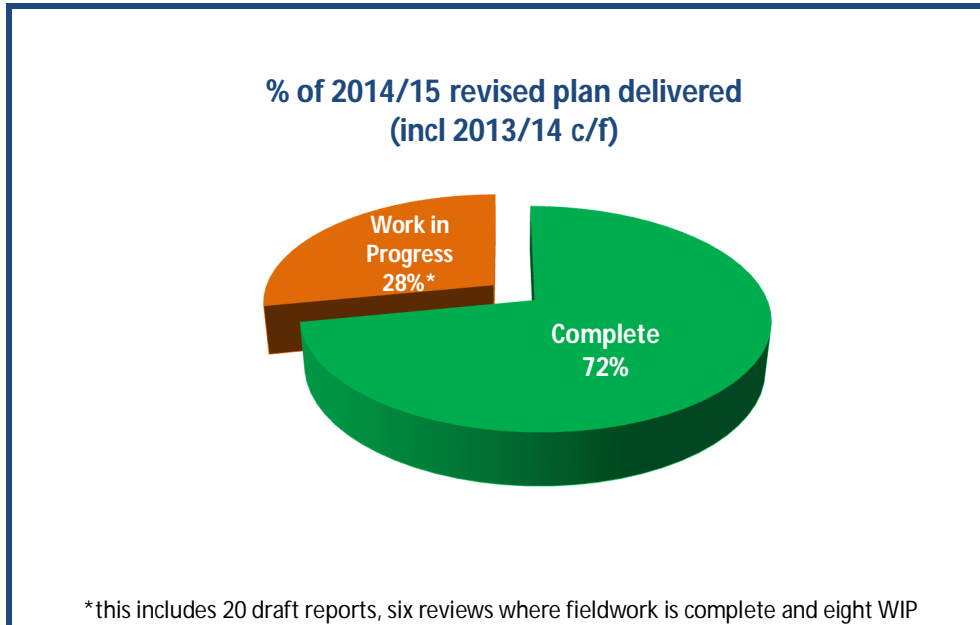
Substantial A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified


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




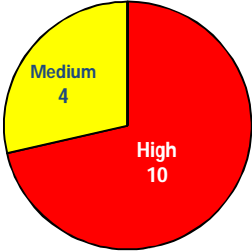
Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>During 2014 – 15 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN.</p>


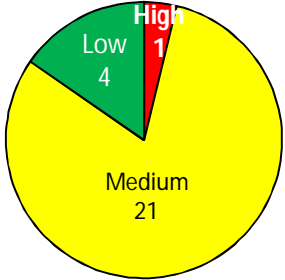
4. Status of 'Live' Reports


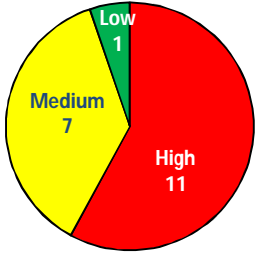
Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Friends and family care	28.02.13	CS	Limited	Adequate	9(5)	0(0)	6(5)	3(0)
Document management system – Hantsfile	06.06.13	CR	Limited	Adequate	12(8)	0(0)	11(8)	1(0)
Community services process flow	12.08.13	AS	Adequate	Adequate	3(2)	0(0)	2(2)	1(0)
Highways Maintenance	11.02.14	ETE	Adequate	Adequate	17(0)	0(0)	16(0)	1(0)
Operational Workflow Case Management	22.05.14	AS	Adequate	Adequate	4(2)	0(0)	0(0)	4(2)
Enterprise M3 LEP - governance	02.07.14	ETE	Limited	Limited	16(11)	0(0)	11(8)	5(3)
Commissioning and purchasing of services	10.07.14	CS	Limited	Limited	5(0)	0(0)	2(0)	3(0)
Telecare contract	16.07.14	AS	Limited	Limited	7(5)	0(0)	5(4)	2(1)
Home to school transport	10.09.14	CS	Adequate	Adequate	3(2)	1(0)	2(2)	0(0)
Adoption	10.09.14	CS	Adequate	Adequate	11(6)	0(0)	2(0)	9(6)
County planning process	17.09.14	ETE	Adequate	Adequate	5(4)	0(0)	2(2)	3(2)
Education Centres - <i>Music Service</i>	30.09.14	CS	Adequate	Adequate	7(0)	0(0)	6(0)	1(0)
IT Asset management	14.10.14	CR	Limited	Limited	4(3)	3(2)	0(0)	1(1)
Continuing health care	11.11.14	AS	Limited	Limited	13(8)	2(0)	2(2)	9(6)
Family placement and foster care	05.12.14	CS	Limited	Limited	16(7)	1(1)	13(6)	2(0)
Information management	18.12.14	PG	Limited	Adequate	8(3)	1(0)	6(3)	1(0)
EDCM System	23.12.14	AS	Adequate	Adequate	11(8)	10(8)	1(0)	0(0)
River Hamble	28.01.15	CCBS	Adequate	Adequate	8(0)	1(0)	7(0)	0(0)

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Traffic management	02.02.15	ETE	Adequate	Adequate	8(0)	1(0)	7(0)	0(0)
Advertising	23.02.15	CS	Adequate	Adequate	4(0)	0(0)	2(0)	2(0)
Out of County Placements	09.03.15	AS	Adequate	Adequate	10(7)	3(0)	4(4)	3(3)
AS thematic – Bed Reablement	24.03.15	AS	Limited	Limited	10(7)	7(7)	3(0)	0(0)
Income and Costing of Events	26.03.15	CCBS	Limited	Limited	26(1)	25(0)	1(1)	0(0)
Complaints and compliments	07.04.15	CR	Adequate	Adequate	6(0)	1(0)	3(0)	2(0)
Charging and Contribution policies	09.04.15	AS	Adequate	Adequate	4(4)	3(3)	1(1)	0(0)
Database management and security	27.04.15	CR	Adequate	Adequate	2(0)	2(0)	0(0)	0(0)
Hampshire Education Psychology Service	12.05.15	CS	Adequate	Adequate	2(0)	2(0)	0(0)	0(0)
Regeneration	29.05.15	ETE	Adequate	Adequate	10(0)	9(0)	1(0)	0(0)

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

Direct Payments		
<p>Directorate Sponsor: Children’s Services</p> <p>Key Contacts: Steve Crocker, Deputy Director, Children & Families; Felicity Roe, Assistant Director, Performance & Resources; Lin Ferguson, Area Director; Kieron Lyons, Integrated Disability Manager; Jane Stevens, Integrated Disability Manager; Mandy Johnson, Team Manager, Disabled Children</p> <p>Final Report Issued: 19 January 2015</p>	<p>Assurance opinion:</p> <div style="text-align: center;">  <p>Limited</p> </div>	<p>Management Actions:</p> <div style="text-align: center;">  </div>
<p>Summary of key observations:</p> <p>At the time of review both the direct payments procedure and the eligibility criteria for access to specialist services for disabled children required update.</p> <p>Testing identified that a number of assessments were not complete within required timescales and where a direct payment was not in place, there was no evidence as to whether the option of a direct payment was discussed with the client and the reason as to why it was not taken up. Testing also identified that the direct payment agreement form was signed on behalf of the client after the date of the first payment in the majority of cases.</p> <p>Payment amounts were correct in all cases reviewed; however, there was a lack of clarity and consistency as to where quarterly financial returns should be sent and who was responsible for monitoring them. As a result, we found a large number of clients were not sending returns in and, where returns were submitted, there was often no evidence that they had been reviewed.</p> <p>We confirmed that review meetings had been held in most cases, however, a vast majority were not held with the required frequency (three monthly).</p> <p>All management actions agreed to mitigate control weakness have been implemented.</p>		

Income & Costing of Events										
<p>Directorate Sponsor: CCBS</p> <p>Key Contacts: Karen Murray, Director of CCBS</p> <p>Final Report Issued: 26 March 2015</p>	<p>Assurance opinion:</p> <div style="text-align: center;">  <p>Limited</p> </div>	<p>Management Actions:</p> <div style="text-align: center;">  <table border="1"> <caption>Management Actions Data</caption> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>1</td> </tr> <tr> <td>Low</td> <td>4</td> </tr> <tr> <td>Medium</td> <td>21</td> </tr> </tbody> </table> </div>	Category	Count	High	1	Low	4	Medium	21
Category	Count									
High	1									
Low	4									
Medium	21									
<p>Summary of key observations:</p> <p>This thematic review incorporated visits to two libraries, two discovery centres, a museum, county park and an activity centre in March / April 2014. The audit identified pockets of good practice across the establishments visited which would provide a sound foundation on which to develop future guidance; however, there were found to be no policies or procedures relating to the management or costing of events.</p> <p>There were considerable differences in the quantity and scale of events held across the various sites visited and all establishments were found to be managing and costing events differently. The guiding principle for setting fees and charges for the Culture & Communities Service is to ensure as a minimum direct costs are recovered with a contribution towards service costs achieved, however, there was inconsistency in what costs were included when calculating a breakeven figure and the classification of direct and indirect costs. There is a risk that a true breakeven cost will not be determined, resulting in a loss to the organisation</p> <p>Documentation retention and the ability to provide a clear audit trail for costing of events was common across establishments visited.</p> <p>With the appointment of a new Head of Service all policies and procedures are under review for endorsement by the Department Management Team later in the year.</p>										

<p>Mill Rythe Infant School</p>										
<p>Directorate Sponsor: Children’s Services</p> <p>Key Contacts: Deborah Burroughs, Chair of Governors; Lucy Ford, Headteacher; Charlotte Tighe, Assistant Headteacher; Clair Betteridge, Senior Administrative Officer; Felicity Roe, Assistant Director, Performance & Resources; John Clarke, Deputy Director, Education; Andrew Minall, Business Partner; Brian Pope, Area Director</p> <p>Final Report Issued: 2 April 2015</p>	<p>Assurance opinion:</p> <div style="text-align: center;">  <p>Limited</p> </div>	<p>Management Actions:</p> <div style="text-align: center;">  <table border="1"> <caption>Management Actions Risk Distribution</caption> <thead> <tr> <th>Risk Level</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>11</td> </tr> <tr> <td>Medium</td> <td>7</td> </tr> <tr> <td>Low</td> <td>1</td> </tr> </tbody> </table> </div>	Risk Level	Count	High	11	Medium	7	Low	1
Risk Level	Count									
High	11									
Medium	7									
Low	1									
<p>Summary of key observations:</p> <p>Review of pecuniary declarations of interest highlighted that the Headteacher (since left the school) had declared an interest with a local company in 2011. From our review of the school’s expenditure testing found that the school had commissioned this company and procured works of approximately £31,000 since 2011. We were unable to evidence that any quotes or tenders had been obtained for any of this spend and the decision to use this company had not been discussed and recorded with Governors to ensure transparency.</p> <p>From our review of the 2013/14 budget and through discussions with the Interim Headteacher we found that the school were expecting to receive a one-off donation of approximately £20,500. We could confirm, from our review of the ‘Fabric, Health and Safety Committee’ minutes for June 2013, that Governors had been advised of the expected donation and what it was going to be used for. However, the donation was not actually received prior to spend being committed and to date the donation has still not been received.</p> <p>Audit testing of a sample of purchases made from the imprest account identified issues around lack of authorisation, large purchases being made from the account and incorrect coding for VAT purposes. Additionally a sample of purchases made using the procurement card identified numerous issues including purchases not being authorised, inappropriate spend, inability to locate a number of items purchased and a lack of receipts held to support some purchases.</p> <p>All management actions agreed to mitigate control weakness have been implemented.</p>										

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 – 31.12.14
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	75 days
Total number of fraud cases investigated	9**

*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 2014/15 was approved by the Council's Management Team and the Audit Committee in June 2014.

The 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					Final report issued
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	
Audit Plan 2014/15 (including 2013-14 Carry Forward)						
CCBS thematic 2 – volunteers	✓	✓	✓	✓	✓	01/09/14
Employment practices - casework	✓	✓	✓	✓	✓	23/06/14
Property asset management system (PAM)	✓	✓	✓	✓	✓	24/10/14
Expense management	✓	✓	✓	✓	✓	03/11/14
Website management	✓	✓	✓	✓	✓	31/07/14
Payroll - premia payments	✓	✓	✓	✓	✓	03/06/14
Pensions (Teachers Pension Return)	✓	✓	✓	✓	✓	10/10/14
Real estate (energy management system)	✓	✓	✓	✓	✓	
Financial processes	✓	✓	✓	✓	✓	04/09/14

Learning Audit title	Audit Progress					Final report issued
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	
Safeguarding – (non Adults & Children's)	✓	✓	✓	✓	✓	15/10/14
School thematic review – VAT	✓	✓	✓	✓	✓	09/07/14
Home to school transport	✓	✓	✓	✓	✓	10/09/14
Local children partnership	✓	✓	✓	✓	✓	17/09/14
Commissioning and purchasing of services	✓	✓	✓	✓	✓	10/07/14
Adoption	✓	✓	✓	✓	✓	10/09/14
Troubled families governance review	✓	✓	✓	✓	✓	25/06/14
Adult services establishments - thematic review 1 - financial administration	✓	✓	✓	✓	✓	27/06/14
Adult services establishments - thematic review 2 – sickness management	✓	✓	✓	✓	✓	17/07/14
Care governance processes (includes safeguarding)	✓	✓	✓	✓	✓	07/08/14
Client affairs	✓	✓	✓	✓	✓	26/06/14
Telecare contract	✓	✓	✓	✓	✓	16/07/14
Public Health	✓	✓	✓	✓	✓	19/08/14
Extra care housing	✓	✓	✓	✓	✓	24/07/14
Enterprise M3 LEP - governance	✓	✓	✓	✓	✓	02/07/14
CCBS establishment thematic review	✓	✓	✓	✓	✓	26/03/15
Business units – HTM	✓	✓	✓	✓	✓	03/07/14
Business units – HC3S	✓	✓	✓	✓	✓	26/06/14

Learning Audit title	Audit Progress					Final report issued
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	
Framework trends	✓	✓	✓	✓	✓	N/A
Tender of Manpower contract	✓	✓	✓	✓	✓	03/06/14
Construction framework – major projects	✓	✓	✓	✓	✓	N/A
Construction framework – local construction framework	✓	✓	✓	✓	✓	24/10/14
Corporate cross cutting						
Equality Impact Assessments	✓	✓	✓	✓	N/A	N/A
Information management	✓	✓	✓	✓	✓	18/12/14
Business Continuity/Emergency Planning	✓	✓	✓	✓	✓	
Health and Safety	✓	✓	✓	✓		
Capital programme	✓	✓	✓			
Contract management	✓	✓	✓	✓	✓	
Contact Centre (Hantsdirect)	✓	✓	✓	✓	✓	17/12/14
Asset management	✓	✓	✓	✓	✓	
Grants granted	✓	✓	✓	✓	✓	
Local management of H3 processes	✓	✓	✓	✓		
Advertising	✓	✓	✓	✓	✓	23/02/15
Corporate Governance						
Risk Management	✓	✓	✓			

Learning Audit title	Audit Progress					Final report issued
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	
Complaints and compliments	✓	✓	✓	✓	✓	07/04/15
Transparency agenda	✓	✓	✓	✓		
National Fraud Initiative	N/A	N/A	✓			
Annual Governance Statement	N/A	N/A	✓	✓	N/A	N/A
Annual review of effectiveness of internal audit	✓	✓	✓	✓	✓	26/06/14
Information Technology						
Network management and monitoring	✓	✓	✓	✓	✓	10/09/14
Mobile and flexible working	✓	✓	✓	✓	✓	23/12/14
Platform monitoring (Windows & Linux)	✓	✓	✓	✓		
Database management & security	✓	✓	✓	✓	✓	27/04/15
IT Asset management	✓	✓	✓	✓	✓	14/10/14
IT business continuity	✓	✓	✓	✓	✓	
Corporate objective - Safer and more secure for all						
Safeguarding - Children	N/A	N/A	✓	✓	N/A	N/A
Safeguarding - Adults	✓	✓	✓	✓	✓	
School thematic review 1 – contract management	✓	✓	✓	✓	✓	
School thematic review 2 - budgetary control	✓	✓	✓	✓	✓	23/12/14
School thematic review 3 - governance	✓	✓	✓	✓		