

# Internal Audit Progress Report

September 2015

Hampshire County Council



## **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 – 7
5.	Executive summaries 'Limited' and 'No' assurance opinions	8
6.	Fraud and Irregularities	9
7.	Planning and resourcing	10
8.	Rolling work programme	10 - 19

## 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:

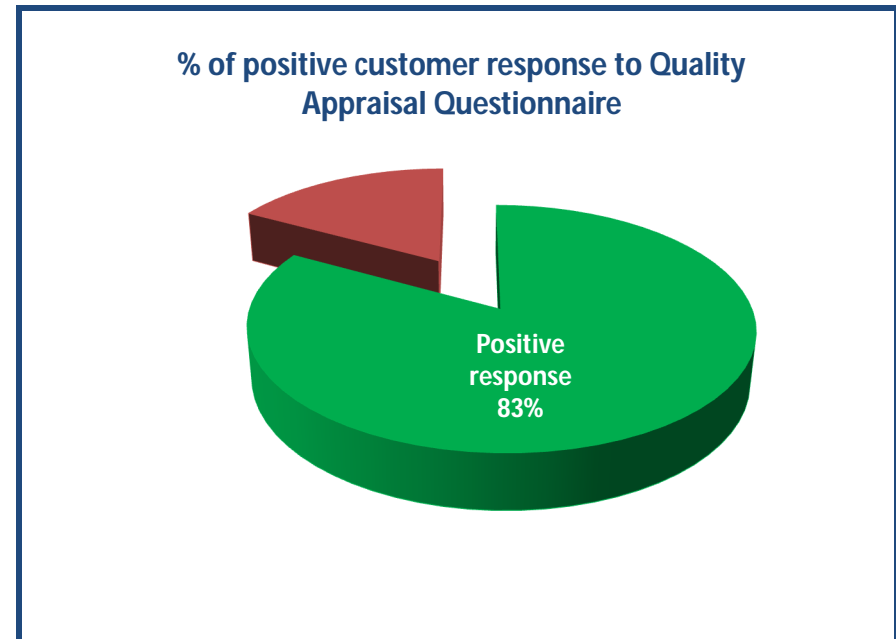
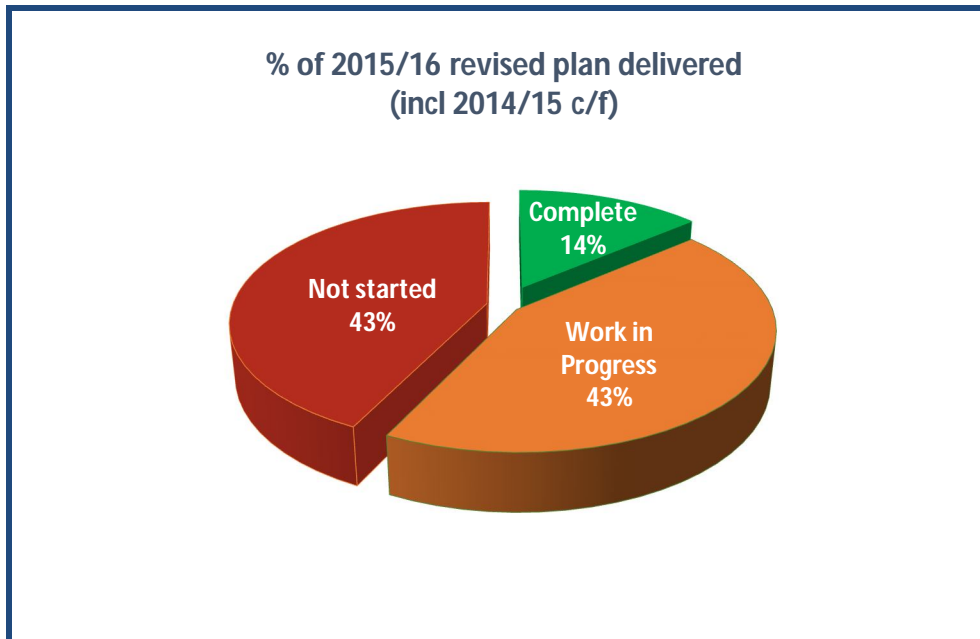
**Substantial** A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified

**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




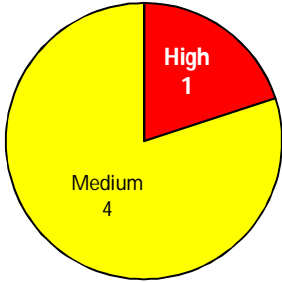
During 2014 – 15 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN.

#### 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)
Community services process flow	12.08.13	AS	Adequate	Adequate	3(2)	0(0)	2(2)	1(0)
Operational Workflow Case Management	22.05.14	AS	Adequate	Adequate	4(2)	0(0)	0(0)	4(2)
Home to school transport	10.09.14	CS	Adequate	Adequate	3(2)	1(0)	2(2)	0(0)
County planning process	17.09.14	ETE	Adequate	Adequate	5(4)	0(0)	2(2)	3(2)
IT Asset management	14.10.14	CR	Limited	Limited	4(3)	2(1)	2(2)	0(0)
Family placement and foster care	05.12.14	CS	Limited	Limited	16(7)	1(1)	15(6)	0(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)
Traffic management	02.02.15	ETE	Adequate	Adequate	8(0)	1(0)	7(0)	0(0)
AS thematic – Bed Reablement	24.03.15	AS	Limited	Limited	10(7)	0(0)	8(5)	2(2)
Income and Costing of Events	26.03.15	CCBS	Limited	Limited	26(1)	0(0)	19(1)	7(0)
Charging and Contribution policies	09.04.15	AS	Adequate	Adequate	4(4)	2(2)	2(2)	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)	1(0)	8(0)	2(0)
Platform monitoring (Windows & Linux)	21.05.15	CR	Adequate	Adequate	3(0)	3(0)	0(0)	0(0)
Developer Contributions	01.06.15	PG	Adequate	Adequate	5(2)	3(0)	2(2)	0(0)

Audit title	Report date	Directorate Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Pending	Cleared	Overdue
Safeguarding – Adults	01.07.15	AS	Adequate	Adequate	12(4)	4(0)	4(2)	4(2)
Recruitment	06.07.15	CR	Adequate	Adequate	2(2)	2(2)	0(0)	0(0)
Charging and Contributions Policy for CIC	10.07.15	CS	No	No	9(5)	6(3)	3(2)	0(0)
School Thematic 1- Contract Management	21.07.15	CS	Limited	Limited	5(1)	4(0)	1(1)	0(0)
IT Business Continuity	18.08.15	CR	Limited	Limited	18(8)	8(1)	10(7)	0(0)
Emergency Planning and Resilience	30.07.15	CS	Limited	Limited	17(7)	9(3)	8(4)	0(0)
Extra Care Housing	05.08.15	AS	Adequate	Adequate	3(0)	3(0)	0(0)	0(0)
Business Units – printing services	07.08.15	CCBS	Adequate	Adequate	7(0)	7(0)	0(0)	0(0)
Accounts Payable	18.08.15	CR	Adequate	Adequate	12(3)	8(1)	4(2)	0(0)
Contract management (HPSN2)	27.08.15	CR	Adequate	Adequate	4(0)	2(0)	2(0)	0(0)

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

School Thematic Review – Compliance with Contract Standing Orders		
<p><b>Directorate Sponsor:</b> Children’s Services</p> <p><b>Key Contacts:</b> John Clarke, Deputy Director, Education &amp; Inclusion; Felicity Roe, Assistant Director, Performance &amp; Resources; Andrew Minall, Finance Business Partner (Schools); Brian Pope, Area Director; David Hardcastle, Area Director; Phil Andrews, Principal Accountant; Rebecca Baker, Principal Accountant</p> <p><b>Final Report Issued:</b> 21 July 2015</p>	<p><b>Assurance opinion:</b></p> <div style="text-align: center;">  <p>Limited</p> </div>	<p><b>Management Actions:</b></p> <div style="text-align: center;">  <p>High 1</p> <p>Medium 4</p> </div>
<p><b>Summary of key observations:</b></p> <p>A sample of nine schools was visited as part of this review with a focus on purchases greater than £5,000 made between 2010 and 2014. Discussions with key staff at each school visited confirmed that there was a general awareness of Contract Standing Orders.</p> <p>Audit testing identified that, from a sample of 93 suppliers used across the nine schools, 71 were non-contracted suppliers (76%). Schools should be encouraged to use contracted suppliers wherever possible in line with corporate policy.</p> <p>Contract Standing Orders state that, where a contract period is indefinite or uncertain, the estimated value shall be calculated over a four year period. Review of a sample of purchases made with the same supplier over such a period found non-compliance within eight of the nine schools visited. Additionally at seven of the nine schools visited three written quotations or tenders were not routinely obtained for individual purchases exceeding £5,000.</p> <p>The Governing Body had agreed and documented a delegated limit of financial authority for the Headteacher at all of the schools visited. However, review of relevant committee minutes found that approval of expenditure greater than these limits was not routinely documented at five of the schools.</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	01.04.15 – 31.08.15
<b>Part 2 Requirements - Fraud</b>	
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	36 days
Total number of fraud cases investigated	0**

\*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 2015/16 was approved by the Council's Management Team and the Audit Committee in June 2015.

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						Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued	
<b>Audit Plan 2014/15 Carry Forward Reviews</b>							
Emergency Planning and Resilience	✓	✓	✓	✓	✓	30.07.2015	Limited
Health and Safety	✓	✓	✓	✓	✓		
Capital programme	✓	✓	✓				
Contract management (HPSN2)	✓	✓	✓	✓	✓	27.08.2015	Adequate
Contract management (SE7)	✓	✓	✓	✓	✓		
Contract management (ASMTS)	✓	✓	✓	✓			
Asset management	✓	✓	✓	✓	✓		
Grants granted	✓	✓	✓	✓	✓	15.06.2015	Adequate

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Local management of 'shared service' processes	✓	✓	✓	✓	✓			
Risk Management	✓	✓	✓	✓	✓			
Transparency agenda	✓	✓	✓	✓	✓			
Platform monitoring (Windows & Linux)	✓	✓	✓	✓	✓	21.05.2015	Adequate	
IT business continuity	✓	✓	✓	✓	✓	18.08.2015	Limited	
Safeguarding - Adults	✓	✓	✓	✓	✓	01.07.2015	Adequate	
School thematic review 1 – contract management	✓	✓	✓	✓	✓	21.07.2015	Limited	
School thematic review 3 - governance	✓	✓	✓	✓	✓			
Charging and contribution policy for children in care	✓	✓	✓	✓	✓	10.07.2015	No	
IOW Partnership	✓	✓	✓					
Adult services - thematic reviews – procurement cards / imprest	✓	✓	✓	✓	✓	22.06.2015	Limited	
Personalisation – direct payments	✓	✓	✓	✓	✓			
Health Partnerships and joint commissioning (Assurance Mapping)	✓	✓	✓	✓	✓	11.06.2015	N/A	
Extra care housing	✓	✓	✓	✓	✓	05.08.2015	Adequate	
Blue Badges	✓	✓	✓	✓	✓	11.06.2015	Adequate	
Waste Disposal	✓	✓	✓					
District working arrangements	✓	✓	✓	✓	✓			
Term engineering contracts	✓	✓	✓	✓	✓			

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Business units – printing services	✓	✓	✓	✓	✓	07.08.2015	Adequate	
Property Strategic Partners	✓	✓	✓	✓	✓			
Contract management – Matrix	✓	✓	✓	✓	✓			
Property Joint Working Arrangements	✓	✓	✓	✓	✓	23.06.2015	Limited	
Governance arrangements	✓	✓	✓	✓	✓			
Recruitment and induction / positions and organisation hierarchy	✓	✓	✓	✓	✓	06.07.2015	Adequate	
Accounts receivable	✓	✓	✓	✓	✓			
Accounts payable	✓	✓	✓	✓	✓	18.08.2015	Adequate	
Procurement – category management	✓	✓	✓	✓	✓			
<b>Audit Plan 2015/16 Reviews</b>								
<b>Corporate cross cutting</b>								
Sold services	✓							
Equality impact assessments								
Information management								
Health and Safety								
Capital programme								
Information security	✓	✓	✓	✓				
Local management of 'shared service' processes								

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Employment of temporary workers	✓							
<b>Corporate Governance</b>								
Risk Management								
Transparency agenda								
National Fraud Initiative	✓	n/a	✓					
Proactive fraud initiatives – Fraud Risk Register/ Analytics	✓	n/a	✓					
Reactive fraud investigations	n/a	n/a	n/a	n/a	n/a	n/a		
Annual Governance Statement	✓	✓	✓	✓	n/a	n/a	-	
Assurance mapping	✓	✓	✓					
<b>Information Technology</b>								
Capacity planning and management								
Change management								
Inventory management								
IT operating systems	✓	✓	✓	✓				
Business processes and ordering process								
Wireless security	✓	✓	✓	✓	✓			
Hosted Schools Services (HSS)	✓							
IBC/SAP								

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Public Services Network (PSN)								
<b>Procurement &amp; Contract Management</b>								
Procurement - corporate development								
Procurement - strategy and governance								
Contract management - Term engineering								
Contract management - Property Strategic Partners	✓	✓						
Contract management - Matrix								
Contract management - Broadband								
Contract management – Street Lighting								
Category management	✓	✓	✓	✓				
Highways maintenance	✓							
Southern construction framework	✓	✓	✓					
<b>Corporate objective - Safer and more secure for all</b>								
Safeguarding - Children								
School thematic review 1 – Procurement Cards								
School thematic review 2 - Performance related pay / pay policy								
School thematic review 3 – Procurement (leasing / CIS etc)								
School thematic review 4 – SFVS/ Liaison								

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Children's services establishments - thematic reviews	✓	✓	✓					
Establishment reactive review – Hatherden Primary School	✓	✓	✓	✓	✓			
Establishment reactive review – Marlborough Infant School	✓	✓	✓	✓				
Establishment reactive review – Linden Education Centre	✓	✓	✓					
SFVS	n/a	n/a	n/a	n/a	n/a	27.05.2015	n/a	
Services for young children	✓	✓						
Hampshire Futures (Outdoor Ed etc.)	✓	✓						
SEN and specialist advisory teachers	✓							
Electronic case recording system								
Integrated Youth Service and Care Leavers								
Non county placements/decision making for complex needs								
Friends and family placements	✓	✓	✓					
Governor Services	✓	✓						
Primary Behaviour Service (to include outreach work)								
Troubled families - governance	✓	✓	✓					
Troubled families - claims								
Care Provisions	✓	✓	✓					
Children's Services - Registration of Social Workers	✓	✓						

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
<b>Corporate objective - enhancing our quality of place</b>								
Winter maintenance								
Enterprise M3 LEP - governance								
CCBS establishment thematic review								
Solent LEP	✓							
<b>Corporate objective - Maximising wellbeing</b>								
Adult services establishments - thematic reviews	✓	✓	✓					
Adult services establishments - thematic reviews	✓	✓	✓					
Adult services establishments - thematic reviews								
Personalisation - self directed support & direct payments	✓	✓	✓					
Direct payments								
Reablement services	✓	✓	✓					
High cost placements								
Deprivation of liberty safeguards								
Adult Services - Registration of social work staff	✓	✓	✓					
Panel process	✓	✓	✓	✓	✓			
Domiciliary care and nursing placements								
Social care reform / Implementation of the Care Act								

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
Electronic Care Monitoring System (ECM)								
Extra care housing								
Better Care Fund								
Data Quality on AIS								
Client pathway								
Transition of clients to new care providers								
Adult Services Workforce								
Younger Adults Care Programme								
<b>Miscellaneous Reviews</b>								
Business units								
Hampshire/ Reading Property Partnership	✓	✓	✓	✓	✓			
Property Services' business plan and strategy								
Governance of pre-contract approvals								
Financial assessment & benefits	✓	✓	✓					
<b>Corporate Shared Services / IBC</b>								
Governance Arrangements								
User Access								
System Integration Testing	✓	✓	✓	✓				

Learning Audit title	Audit Progress							Audit Opinion
	Audit Scoping Commenced	Audit Outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
UAT / Regression Testing	✓	✓	✓	✓				
Data Migration	✓	✓	✓	✓	✓			
Recruitment & Induction								
Employment Practices – Casework	✓	✓	✓					
Payroll								
Planning, budget monitoring / forecasting								
Order to Cash								
Purchase to Pay								
Debt Collection								
Category Management	✓	✓	✓	✓				
Purchase Cards	✓	✓	✓					
Property Management								
Procurement Strategy & Process								

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 15/16 audit plan approved by the Audit Committee in June 2015.

Plan Variations	
Removed from the plan	Reason
Occupational Health	Management request reprioritised by subsequent audit request – to reconsider in 16/17 plan
Workforce Development	Management request reprioritised by subsequent audit request – to reconsider in 16/17 plan
Workforce Planning	Management request reprioritised by subsequent audit request – to reconsider in 16/17 plan
Taxation	To be incorporated as part of the P-Card review
Additions to the plan	Reason
System Integration Testing	High risk due to on-boarding of new partners (shared services)
UAT / Regression Testing	High risk due to on-boarding of new partners (shared services)
Data Migration	High risk due to on-boarding of new partners (shared services)