

**Internal Audit Progress Report**

**September 2016**

**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 – 8
5.	Executive summaries 'Limited' and 'No' assurance opinions	9 - 10
6.	Fraud and Irregularities	11
7.	Planning and resourcing	12
8.	Rolling work programme	12 - 21

## 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

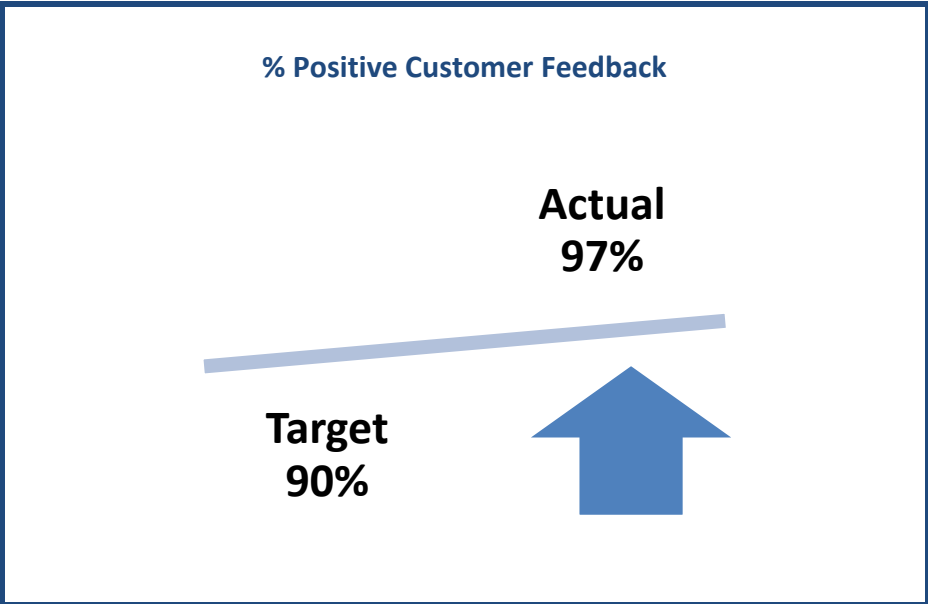
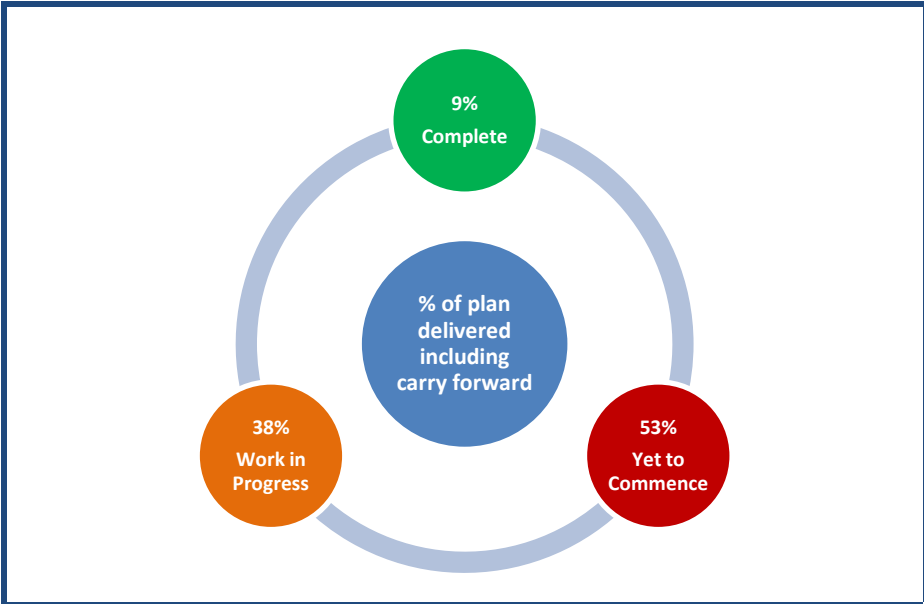
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:


- 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 <b>all</b> 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)
Wireless Security	08.10.15	CR	Adequate	3(0)	0(0)	2(0)	1(0)	0(0)
Hatherden Primary	21.10.15	CS	No	29(14)	0(0)	2(0)	27(14)	0(0)
Adult Services registration of social workers	14.12.15	AS	Adequate	6(1)	0(0)	1(0)	5(1)	0(0)
Governor Services	14.12.15	CS	Adequate	3(0)	0(0)	1(0)	2(0)	0(0)
Term engineering contract	23.12.15	CCBS	Limited	10(8)	0(0)	0(0)	9(7)	1(1)
Waste disposal	20.01.16	ETE	Adequate	4(3)	0(0)	1(0)	3(3)	0(0)
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)
Adult Services thematic review - transport	03.03.16	AS	Limited	13(10)	0(0)	0(0)	11(10)	2(0)
Care provisions	17.03.16	CS	Adequate	3(2)	0(0)	1(1)	2(1)	0(0)
Linden Education Centre	22.03.16	CS	Limited	24(3)	0(0)	1(0)	23(3)	0(0)
SEN and specialist advisory teachers	08.04.16	CS	Adequate	7(4)	0(0)	1(1)	6(3)	0(0)

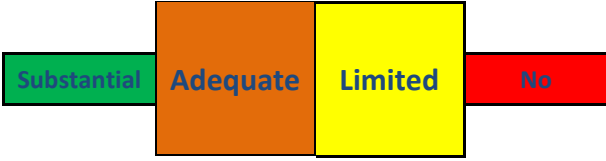

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
Children's Services registration of social workers	08.04.16	CS	Limited	8(7)	0(0)	1(0)	7(7)	0(0)
Personalisation self directed support – direct payments	05.05.16	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)
Heathfield School	24.05.16	CS	Limited	11(9)	0(0)	1(1)	9(7)	1(1)
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)
Employment of temporary workers	14.06.16	CS	Limited	9(3)	0(0)	0(0)	5(2)	4(1)
Friends and Family	16.06.16	CS	Limited	31(23)	0(0)	0(0)	20(16)	11(7)*
Capital programme	24.06.16	ETE	Adequate	3(0)	0(0)	3(0)	0(0)	0(0)
Schools thematic review – PRP and pay policy	28.06.16	CS	Adequate	6(3)	0(0)	3(0)	3(3)	0(0)
Primary behaviour service	28.06.16	CS	Limited	16(4)	0(0)	4(0)	11(3)	1(1)
Contract management – extra care housing provision for Surrey Court	06.07.16	AS	Limited	5(0)	0(0)	3(0)	0(0)	2(0)
Purchase to pay	13.07.16	CR	Adequate	5(1)	0(0)	1(0)	4(1)	0(0)
Risk management	20.07.16	P&G	Adequate	6(6)	0(0)	5(5)	1(1)	0(0)
Governance arrangements – information	21.07.16	CR	Adequate /	30(11)	0(0)	22(7)	7(3)	1(1)

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Management Actions ('High Priority')				
				Reported	Not Accepted	Pending	Cleared	Overdue
management			Limited					
User access	25.07.16	CR	Adequate	3(0)	0(0)	1(0)	2(0)	0(0)
Capacity planning and management	02.08.16	CR	Adequate	3(3)	0(0)	3(3)	0(0)	0(0)
Contract management - Property strategic partners	02.09.16	CCBS/ETE	Adequate	4(0)	0(0)	1(0)	2(0)	1(0)
Procurement cards	07.09.16	CR	Limited	2(0)	0(0)	2(0)	0(0)	0(0)

\*A revised action plan has been established to address outstanding management action

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

<b>Procurement Cards (Local Transactions)</b>		
<p><b>Directorate Sponsor: Director of Corporate Resources</b></p> <p><b>Key Contacts:</b></p> <p><b>Final Report Issued: 6 September 2016</b></p>	<p><b>Assurance opinion:</b></p> <div style="text-align: center;"> </div>	<p><b>Management Actions:</b></p> <div style="text-align: center;"> </div>
<p><b>Summary of key observations:</b></p> <p>This review focused on local transactions for a sample of HCC sites (excluding Adult Services), Police and Fire.</p> <p>The assurance opinion is reflective of the level of non-compliance identified through testing. Areas of greatest significance were:</p> <ul style="list-style-type: none"> <li>• Approvers were not consistently reviewing expenditure to ensure it was in accordance with business need and corporate policy. Testing showed that review of transactions was not consistently occurring in a timely manner to ensure accurate recording for effective budgetary control and VAT treatment.</li> <li>• Testing of transactions across a number of sites highlighted document retention to be an issue. VAT receipts were not always being retained when VAT was being claimed.</li> </ul>		

Governance arrangements – Information Management		
<p><b>Directorate Sponsor: Director of Corporate Resources</b></p> <p><b>Key Contacts:</b> Gary Westbrook, Head of Shared Services; Steph Randall, Head of Transformation &amp; Digital; Peter Andrews, Head of Risk &amp; Information; Marion Peuleve, Head of Information, Hampshire Constabulary</p> <p><b>Final Report Issued:</b> 21 July 2016</p>	<p><b>Assurance opinion:</b></p> 	<p><b>Management Actions:</b></p> 
<p><b>Summary of key observations:</b></p> <p>The audit review sought assurance with regard information governance arrangements in place within the IBC and Shared Services, focusing on high risk areas dealing with sensitive personal data. The review concluded that:</p> <ul style="list-style-type: none"> <li>• <b>Adequate assurance</b> could be placed on core network and SAP security; and</li> <li>• <b>Limited assurance</b> could be placed on non-automated processes and procedures</li> </ul> <p>Technically the core network and SAP were secure, although enhancements have been actioned to better manage the removal of accounts when staff leave or review in the event that staff move within the organisation.</p> <p>Testing highlighted the data sharing protocol from partnership agreements had not been appropriately disseminated to those staff responsible for compliance with them. This does not mean that all the requirements within them were not being met, however, information governance processes cannot be effectively designed without a clear knowledge of expectations</p> <p>Organisationally improvements can be made in information governance responsibilities and training coverage for staff working with partners’ data.</p> <p>The corporate induction e-learning module on data protection and information handling is mandatory but there were no corporate controls in place to ensure all staff with responsibilities for partner data complete the training. There is also no refresher programme in place to ensure staff are kept up to date with changes and remain aware of their responsibilities.</p> <p>Additionally there was found to be no information governance lead for areas of shared service in the same way that one has been appointed for the IBC.</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 – 31.8.16
<b>Part 2 Requirements - Fraud</b>	
<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</b>	Nil
<b>Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud</b>	2 fte*
<b>Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists</b>	4 fte*
<b>Total amount of time spent by the authority on the investigation and prosecution of fraud</b>	37 days
<b>Total number of fraud cases investigated</b>	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
<b>2016/17 plan (Inc. 2015/16 carry forward)</b>									
Sold services	various	✓	✓	✓					
IBC/SAP	CR	✓	✓	✓	✓	23/6/16	Adequate	✓	
Contract management – Street Lighting	ETE	✓	✓	✓	✓			⌚	Draft issued 7/9/16
School thematic– Procurement (leasing CIS etc)	CS	✓	✓	✓	✓			⌚	Draft issued 18/7/16
Care Leavers	CS	✓	✓	✓				⌚	Delayed start
Section 38 Road Making Agreements	ETE	✓	✓	✓				⌚	Delayed start

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
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
Electronic care monitoring system		✓	✓	✓					
Traded Services	CCBS								
Transformation	T&G	✓							
Equality impact assessments	T&G	✓	✓	✓	✓				
Information management	T&G								
Health and safety	T&G								
Capital programme	Various	✓							
Grants granted	T&G	✓	✓	✓					
Information security	CR								
Local management of shared	CR								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
service processes									
Risk management	T&G	✓							
Insurance fund	T&G	✓	✓	✓					
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	✓	
SAP operational basis support	CR								
Business applications – swift, AIS, ICS	CR	✓	✓	✓					
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								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Virtualisation	CR	✓	✓	✓					
Data Centre security	CR								
Identity management	CR								
Interfaces	CR								
Cyber essentials scheme	CR								
Safeguarding - children	CS								
Safeguarding - Adults	AS	✓	✓	✓					
School thematic review – financial planning	CS	✓	✓	✓					
School thematic review – safeguarding	CS								
Data analytics (schools)	CS								
Kingsworthy Primary School	CS	✓	✓	✓	✓				
SFVS	CS								
Home to school transport	CS	✓							
Services for young children	CS								
SEN and specialist advisory teachers	CS								
Education for children looked after	CS								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Troubles families - claims	T&G								
Management and governance structure of CFMT panels	CS								
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								
Adult Services establishment thematic review – support plans	AS								
Adult Services establishment thematic review – medicine control in LD units	AS	✓	✓						
Adult Services establishment thematic review – incident reporting	AS								
Direct payments	AS	✓	✓	✓					
High cost placements	AS	✓	✓	✓					
Social care reform / implementation of the Care	AS								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Act									
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	✓	✓						
Discharge to Assess Beds	AS								
Respite for learning disability / physical disability	AS								
Learning disability – phase 2 of transition to new providers	AS	✓	✓	✓					
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 -	CCBS								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
governance									
CCBS establishment thematic review	CCBS	✓	✓	✓					
Concessionary fares	ETE								
Regeneration	ETE								
Tourism	ETE								
Business units – Hampshire Catering Services	CCBS	✓	✓	✓					
Property traded services strategy	CCBS	✓							
Construction health and safety	CCBS	✓	✓	✓					
Governance of pre-contract approvals	CCBS								
Trading Standards	CCBS								
Contract management - corporate	T&G								
Contract management - Sure Start Children's Centres	CS								
Contract management – independent fostering agencies	CS								
Contract management – building cleaning and street	CCBS	✓							

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
scene cleaning									
Contract management - REACT	AS	✓	✓	✓					
Contract management - broadband	CCBS	✓	✓	✓					
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 certification – social care capital grant	AS	-	-	-	-	✓	Grant certified	✓	
Grant certification – disabled facilities grant	AS	-	-	-	-	✓	Grant certified	✓	
Grant certification – LEP growth fund	ETE								

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 – HCC LD transformation capital grant	AS	-	-	-	-	✓	Grant certified	✓	
<b>Shared Services</b>									
Governance arrangements	CR	✓							
Recruitment and induction	CR	✓	✓						
Payroll	CR	✓							
Order to cash	CR	✓							
Purchase to pay	CR								
Taxation	CR	✓	✓	✓					
BACS	CR	✓							
Master data team	CR	✓	✓	✓	✓				
Employer pensions responsibilities - ABS	CR								
Employer pensions responsibilities	CR								
Procurement – category management	CR								
Property management	CR								
Procurement strategy and process	CR								

Audit Review	Audit Sponsor	Scoping	Audit Outline Issued	Field work	Draft Report Issued	Final Report Issued	Assurance Opinion	Tracker (✓ on schedule ✗ Delay)	Comment
Procurement – IT hardware	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.
Non county placements / decision making for complex needs	Children’s Services requested that the review be 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
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